

Institutional Reform and the Informal Sector (IRIS) Project

Quarterly Report: July 1 - September 30, 1995

INTRODUCTION

The Institutional Reform and the Informal Sector (IRIS) Project was authorized on May 24, 1990 through a cooperative agreement between the U.S. Agency for International Development (USAID) and the IRIS Center at the University of Maryland at College Park. An accompanying basic ordering agreement allows for AID Missions to buy into the technical assistance activities, to meet objectives specific to the respective country. The goal of the IRIS project is to support institutional reforms that enhance competitive markets and democratic processes. The purpose of the Core cooperative agreement is three-fold and includes the following:

- To promote better institutions (legislative reform, regulatory reform, improved organizational structures, and strengthened decision-making processes);
- To build awareness of the role of institutions in economic development; and
- To expand the knowledge base on the relationship between institutions and economic growth and examine new approaches to institutional reform.

The objectives of both the cooperative agreement and the respective basic ordering agreements are met with a variety of project inputs, defined by their appropriateness to the specific needs of a country or the international development community at large. Organizational development objectives are addressed through publications, workshops, technical assistance, and training. Collaborative research objectives call for designing technical assistance packages. Training needs are met with short term in-country and third-country programs, short-term US programs and/or internships. Information dissemination and outreach objectives are addressed through the IRIS clearing house and the IRIS newsletter. The development of a knowledge base for strategic approaches is furthered through working papers, books, monographs, articles, conferences, workshops, and seminars.

The status of project interventions and the resulting impact is reported to USAID on a quarterly basis, as defined in the cooperative agreement and nine (9) delivery orders currently in effect. The following report provides an overview of project activities and impact for the core project (Section One) and the respective field projects (Section Two) for the period July 1 - September 30, 1995.

SECTION ONE: CORE REPORT

I. PROGRESS TOWARD ACHIEVING PROJECT PURPOSES: FIELD PROGRAMS

A. Promoting better institutions

1. Legislative reform initiatives

a. Plans for reporting quarter

! **Nepal: Company Law.** The Nepal Law Society was expected to complete in August 1995. In addition, reviews would be undertaken of the foreign investment provision in Industrial Enterprise Act and difficulties of small business with export and registration policies and procedures.

! **Russia: Civil Code.** IRIS would support the Research Center for Private Law during legislative drafting and debate, and would publish (in cooperation with the EBRD) the proceedings of the Conference on Secured Commercial Lending.

b. Activities during quarter

! **Bulgaria: Collateral Law.** IRIS-Bulgaria, with the endorsement of Minister of Justice Mladen Cherveniyakov, helped form a drafting group to revise the Bulgarian pledge law. Comparative legal materials gathered and translated into Bulgarian by IRIS-Bulgaria and the Center for the Study of Democracy (CSD) Law Reform Program. The group outlined an overall strategy for asset-based lending legislative reform, beginning with the IRIS-Bulgaria objectives of drafting a pledge law and developing a pledge registry.

! **Lithuania: Collateral Law.** A modest skeletal draft has been produced, and the Prime Minister has reiterated the Government's commitment to secured transactions development. The government officially appointed the drafting committee and commissioned it to deliver a draft to the Seimas by 1 April 1996. Moreover, the Prime Minister delivered to USAID-Lithuania a letter reiterating his government's commitment to collateral reform and asking for continued technical assistance in that regard. Several of the factions that oppose one another with regard to the formation of the system have organized a major conference (16-17 November) to help resolve their differences.

! **Nepal: Company Law.** A final Nepali draft of the legislation was completed by the Nepal Law Society, incorporating IRIS consultant Paul Mahoney's comments.

! **Poland: Collateral Law.** The draft collateral law was formally approved by the Polish Council of Ministers on July 18, 1995 and submitted to the Sejm or Polish Parliament. There is also pending parallel legislation for tax reform that eliminates the system of secret tax liens proposed by the draft. IRIS has also met with bank representatives and signed a research contract with the Education Foundation of the Union of Polish Banks to research the use of the bank execution title, by which banks can collect debts without judicial process with the help of bailiffs.

- ! **Poland: Central Registry.** During the quarter, the Ministry of Justice has worked solely with the Norwegians and without the active participation of other ministries or USAID groups on the overall plan. Vice-Minister Zdziennicki indicated that he saw a large role of IRIS assistance in setting up the pledge registry and giving technical assistance in realization of the plan. Among the subjects mentioned was sponsoring a seminar on Identifier issues and expert review of the Polish-Norwegian plan in coordination with the World Bank. On a regional basis, IRIS and the Norway Group co-sponsored a conference on Central Registries Reform. Between 21 and 27 August, experts from Ukraine, Croatia, Macedonia, Bulgaria, and Lithuania met first in Warsaw to hear the Polish experience from MOJ officials, and then went for five days to Norway to examine first-hand the operation of the Norwegian central registries system.
 - ! **Russia: Civil Code.** IRIS supported the Research Center for Private Law during legislative drafting and debate on Part II of the Civil Code. In addition, IRIS published (in cooperation with the EBRD) a bilingual edition of the proceedings of the Conference on Secured Commercial Lending, which was distributed to all conference participants and other interested individuals and organizations.
- c. Plans for next quarter**
- ! **Bulgaria: Registry Development.** An October 16-17 conference in Sofia will determine whether there is a need to develop a central lien registry and, if so, the best methods to proceed.
 - ! **Nepal: Company Law.** A workshop may be held in conjunction with the Ministry of Industry for Parliamentarians in preparation of the winter Parliament session.
 - ! **Nepal: Consumer Protection Act.** A workshop is planned, in conjunction with Ministry of Supplies, to sort out technical details on the legislation being discussed with the Ministry of Supplies in preparation for the winter session of Parliament.
 - ! **Nepal: Export Promotion.** Second draft of study on problems with current policies and procedures for exports of small business was submitted.
 - ! **Nepal: Foreign Investment.** A study of the implications of minimum investment requirements for foreign investment was completed, which was mentioned in FY 95/96 Budget. An amendment is to be tabled in the coming winter session of Parliament.
 - ! **Russia: Civil Code.** A translation of the US Uniform Commercial Code, largely completed during the reporting quarter

2. Regulatory reform activities

a. Plans for reporting quarter

- ! **Mongolia: Environmental Policy.** IRIS would conduct follow-technical assistance on market-based incentives in air quality regulations.
- ! **Nepal: Stock Exchange.** A TOR would be readied for PR assistance to the Securities Exchange Board (SEBNO).
- ! **Poland: Intellectual Property.** Completion of the Polish half of the Model Contracts book was expected in July.

b. Activities during quarter

- ! **MONGOLIA: ENVIRONMENTAL POLICY.** James Anderson and Georges Korsun are working with Anne Forrest, economist with the Environmental Law Institute in Washington, D.C., to assist a regulatory working group in writing air quality regulations.
- ! **Nepal: Stock Exchange.** IRIS consultant Ravi Peiris undertook a follow-up visit to Nepal to review the progress made with respect to the recommendations proposed by IRIS last year.
- ! **Poland: Intellectual Property.** The American Model Contracts for Technology Commercialization Projects (book version) was finished and presented during a special seminar held in conjunction with the Intentional Conference of High Pressure Physicists at the University of Warsaw on September 13, 1995. The Polish Komitet Badan Naukowych (equivalent of the Ministry of Science) will be distributing it.

c. Plans for next quarter

- ! **MONGOLIA: ENVIRONMENTAL POLICY.** IRIS/Mongolia director Georges Korsun and consultant Anne Forest will travel to UlaanBaatar in late October - early November to conduct follow-up technical assistance on market based incentives in air quality regulations.

3. Improved organizational structures

a. Plans for reporting quarter

- ! **Mongolia: Insurance Law.** IRIS would conduct follow-up technical assistance on training relevant to insurance law and regulatory framework. IRIS-Mongolia will develop an agenda for assistance, while IRIS-College Park will identify and hire appropriate experts in the area of insurance regulation.

b. Activities during quarter

- ! **Mongolia: Insurance Law.** Suitable experts in insurance regulation were not available within the time constraints of the project. The new Minister of Finance has assigned a lower priority to this activity for the moment.
- ! **Nepal:** As part of the IRIS mandate to function as a Secretariat to the Economic Liberalization Project, IRIS has been involved in providing support to the project approval committees. A new committee representing small, micro, and women's organizations is being formed.
- ! **Nepal: Janakpur Women's Development Centre.** Contract signed for providing sixteen months of support for management consultancy, literacy training and staff training support for institutional strengthening of the organization. JWDC Proposals are being invited from local consultancy firms to assist in institutional development and business strengthening activities.
- ! **Nepal: Business Consultancy Service.** IRIS consultants Surendra Shahi, Reeta Simha, and Renchin Yonjan followed up with producers in various parts of Nepal; purchase orders being received by the producers frequently. Various products/producer groups have been identified for product development and market linkage activities.

c. Plans for next quarter

- ! **Nepal: Janakpur Women's Development Centre.** IRIS consultant Claire Burkett will spend a total of 6 months assisting JWDC member producers with product development/design and marketing their products to national and international markets.

4. Strengthened decision-making processes

a. Plans for reporting quarter

- ! **India: Enhanced dialogue on policy reform.** Policy analysis proposals would be reviewed and selected, an Indo-American Scholarly Exchange program would be launched, and a series of conferences planned.
- ! **Mongolia: Corporate Governance.** Conduct preparations for the last workshop in the IRIS/Mongolia series.

b. Activities during quarter

- ! **India: Enhanced dialogue on policy reform.** A committee of scholars from IRIS and the National Institute for Public Finance and Policy selected 23 proposals from the more than 240 received. 11 additional policy papers were also commissioned. The first seven papers in the IRIS/India Working Paper Series

were published. Arrangements were made for Distinguished Speaker conferences to be held in New Delhi on November 16 and in New Delhi, Madras, and Calcutta on January 9-16, 1996.

! **Mongolia: Corporate Governance.** A working group is being created to identify Mongolia-specific policy issues on restructuring and corporate governance to inform the design of the workshop, which will be held in January 1996.

! **Mongolia: Economic Education for the Media.** As a follow-up to the fifth workshop in the IRIS/Mongolia series, resident director James Anderson travelled to the Hentii Aimag and conducted a two-day seminar on economic principles for 24 journalists. The seminar was co-sponsored by the Mongolian Press Institute.

c. Plans for next quarter

! **India: Enhanced dialogue on policy reform.** A Distinguished Speaker Conference on "The Art of Governance: The Political Economy of Development" will be held on November 16 in New Delhi. Topics addressed by the conference will include the role of government in the development process, "market modernization," policy implications of the collective choice approach, and the costs of regulation in the Indian industrial sector. In addition, seminars will be presented on "Indian Fiscal Federalism: Constitutional Amendments and Possible Ramifications for Fiscal Reforms" by Dr. Parthasarathi Shome, Director of the National Institute of Public Finance and Policy [October 16], and on "The Role of Media in the Reform Process" by Mr. Gautam Adhikari, Executive Editor of *The Times of India*, [November 30] at the University of Maryland.

B. **Disseminating information to build awareness of the role of institutions in economic development**

1. **Forums, conferences, presentations**

a. Papers presented at Scholarly Meetings by IRIS staff and consultants:

Mancur Olson (June 21, Rome, Italy, VII Villa Mondragone conference on "Institutions and Economic Organization in the Advanced Economies") "Why Poor Economic Policies Must Promote Corruption."

Mancur Olson (June 23, Florence, Italy, Robert Schuman Centre, European University Institute) "The Varieties of Eurosclerosis: The Rise & Decline of Nations Since 1982."

Mancur Olson (September 12, Charlottesville, VA University of Virginia Law School seminar on "The Rule of Law: Controlling Government, a Seminar in Contemporary Legal Thought") "Contract-Intensive Money."

Mancur Olson (September 14, Annapolis, MD, USAID Panel Discussion on Dimensions for Reforming the State) "Corruption and Economic Growth."

Mancur Olson (September 18, Leesburg, VA workshop on Legal, Regulatory, & Judicial Reforms) "Legal, Regulatory, & Judicial Institutions and Growth: Theory, Broad Picture, Definitions."

In cooperation with the Financial Services Volunteer Corps, Foundation for Agricultural Market Infrastructure, and the World Bank, IRIS co-sponsored consecutive two-day seminars entitled "Commodity Risk Management and Agricultural Financing" in Poznań (18-19 September) and Gdańsk (20-21 September)

On September 27 IRIS, jointly with Worldnet TV, organized a video teleconference on "The Impact of Democracy on India's Economic Growth" between Washington DC, New Delhi, and Calcutta. Participants were IRIS Chair Mancur Olson; political scientist Seymour Martin Lipset; India Finance Secretary Montek Singh Ahluwalia; Gautam Adhikari, Executive Editor of the *Times of India*; Pramit Pal Chaudhuri, Assistant Editor of the *Telegraph*; and Avijit Mazumdar, Chairman of Til Ltd. The events were exceptionally well attended in each venue and received extensive coverage in the Indian media.

b. Presentations scheduled for the next reporting quarter:

Mancur Olson (October 2, Cambridge, MA, Harvard/MIT Public Economics Workshop on "The Economics of Autocracy and Majority Rule: The Hidden Hand and the Use of Force."

Mancur Olson (October 5, Queens University School of Policy Studies J. Douglas Gibson Lecture on "Capitalism, Socialism, and Dictatorship: Outgrowing Communist and Capitalist Dictatorships."

Mancur Olson (October 12, NBER annual workshop on macroeconomic history) "The Evolution of Macroeconomic Problems."

Bulgaria: Pledge Registry Development Conference. The Ministry of Justice, World Bank, Center for the Study of Democracy, and the German Foundation for International Legal Cooperation will hold a Secured Transactions conference on October 16-17, 1995.

Mancur Olson (October 20, Minneapolis Economics Association) "Contract Intensity & Economic Development."

Ukraine: Antimonopoly Policy. An October 23-27 conference in Kiev will address topics such as the division of enforcement between the antimonopoly commission and the courts, price fixing and horizontal restraints, competition after

privatization, and international antimonopoly policy.

Mancur Olson (November 10, Locke Institute at George Mason University)
"Notes on Transactions Costs."

Lithuania: Collateral Law. The Lithuanian Lawyer's Association and IRIS will hold a conference on secured transaction law that will present policy choices to the Lithuanians, to be held on 16-17 November at the Seimas hall. The conference will be attended by representatives of the Ministry of Justice, the Seimas, the Prime Minister's office, and the Agriculture Ministry.

Leonid Polishchuk (New York, November 17, United Nations, Macroeconomic and Social Policy Division) "Missed Markets: Implications for Economic Behavior and Institutional Change in Russia."

Mancur Olson (November 28, keynote speaker at a workshop on "Toward a New Paradigm of the State: Building a New Partnership for Development" sponsored by the World Bank Public Sector Management Office)

c. Training Provided in LDCs and the NIS:

Lithuania: Commercial Law. IRIS/Lithuania director John Corrigan taught the collateral law section for a seminar entitled "Development of a Commercial Law Framework for the Baltic States," held 3-14 July 1995 in Vienna.

Central Europe: Central Registry. Project trip to Stavanger, Norway, organized by IRIS and Norway Development Group for Lithuanian, Ukrainian, Macedonian, Bulgarian and Croatian representatives to examine Norwegian Registries (21-27 August).

Mongolia: Economics for the Media. Following-up on the fifth IRIS workshop, IRIS Mongolia resident director, James Anderson travelled to the Hentii Aimag and conducted a two-day seminar on economic principles for 24 journalists. The seminar was co-sponsored by the Mongolian Press Institute.

Ukraine: State Customs Committee. 16 senior officials participated in the Executive Officer Training Program, which involved week-long sessions, taught by the US Customs, in airport, seaport, border crossing, and training administration. 50 inspectors also received instruction on topics ranging from passenger enforcement/facilitation to anti-contraband procedures.

Kazakhstan: Kazakhstan Institute of Management, Economics, and Research. 17 courses in economics and business management were taught. Efforts have been made to improve the curriculum and expand course offerings, recruit promising students, and train local faculty.

2. Publications

a. Working papers:

Christopher Clague, Philip Keefer, Stephen Knack, and Mancur Olson, "Property and Contract Rights under Democracy and Dictatorship," IRIS Working Paper No. 169, July 1995.

Marek Kaminski, "How Communism Could Have Been Saved? An Unexpected Political Consequence of an Electoral Law," IRIS Working Paper No. 170, July 1995.

David Li, "A Theory of Ambiguous Property Rights in Transitional Economies," IRIS Working Paper No. 171, July 1995.

Gregory Clark, "The Land Market in Pre-Industrial Society: England and Wales, 1540-1837," IRIS Working Paper No. 172, August 1995.

Gregory Clark, "The Political Foundations of Modern Economic Growth, England 1540-1800," IRIS Working Paper No. 173, August 1995.

Koichi Hamada, "A Simple Analytic of a Selfish Hegemon," IRIS Working Paper No. 174, August 1995.

Peter Evans and James Rauch, "Bureaucratic Structures and Economic Performance in Less Developed Countries, IRIS Working Paper No. 175, August 1995.

James Rauch, "Choosing a Dictator: Bureaucracy and Welfare in Less Developed Polities," IRIS Working Paper No. 176, August 1995.

James Rauch, "Trade and Search: Social Capital, Sogo Shosha, and Spillovers," IRIS Working Paper No. 177, August 1995.

b. IRIS Reprints:

Barry Ames, "Electoral Rules, Constituency Pressures, and Pork Barrel: Bases of Voting in the Brazilian Congress," *The Journal of Politics*, Vol. 57, No. 2, May 1995, pp. 324-343. IRIS Reprint No. 64

c. IRIS Country Reports:

"Commercial Legal Institutions in the West Bank and Gaza," IRIS Country Report No. 18.

d. IRIS India Working Paper Series

Kenneth Kletzer and Nirvikar Singh, "Indian Fiscal Federalism: Political Economy and Issues for Reform," September 1995. India WP #1

Brian Fikkert, "Reforming India's Technology Policies: Impacts of Liberalization on Self-Reliance and Welfare," September 1995. India WP #2

Arindam Das-Gupta and **Dilip Mookherjee**, "Reforming Indian Income Tax Enforcement," September 1995. India WP #3

Arindam Das-Gupta and Dilip Mookherjee, "Tax Amnesties in India: An Empirical Evaluation," September 1995. India WP #4

Pradeep Agrawal, "Regulation and Reform of the Financial Sector in India: An Analysis of the Underlying Incentives," September 1995. India WP #5

Dilip Mookherjee, "Reforms in Income Tax Enforcement in Mexico," September 1995. India WP #6

Dilip Mookherjee, "Recent Trends in Income Tax Administration in the CIAT Countries," September 1995. India WP #7

Additional Publications by IRIS staff:

Peter Murrell and Georges Korsun, "The Politics and Economics of Mongolia's Privatization Program," *Asian Survey*, XXXV, No. 5, May 1995: 472-486.

Peter Murrell, Karen Turner Dunn, and Georges Korsun, "The Culture of Policy-Making in the Transition from Socialism: Price Policy in Mongolia," *Economic Development and Cultural Change*, forthcoming.

Peter Murrell, "Comment on 'Institutions and Economic Organization: The Governance Perspective' by Williamson," presented at the Annual World Bank Conference on Development Economics, April 1994, and published in *Proceedings of the World Bank Conference on Development Economics*, 1994., a special issue of the *World Bank Economic Review*, March 1995

Corina Wissels, "Parent Company, Shareholder and Director Liability under the New Russian Civil Code" in the EBRD publication "Law in Transition".

C. **Expanding the knowledge base on the relationship between institutions and economic growth and examining new approaches to institutional reform.**

The IRIS Index Project: Current work is addressing the relationship between the colonial heritage of LDCs and democratic institutions. An index-related paper by Philip Keefer and Stephen Knack, entitled "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures," will be published in the December 1995 issue of *Economics and Politics*. A recent study by Philip Keefer and Stephen Knack, entitled "Polarization, Property Rights, and Links Between Inequality and Growth," suggests that inequality and other forms of polarization give rise to a political environment in which it is difficult to

reach a consensus and in which established policies are more vulnerable to change. This undermines the security of property rights, which in turn stifles economic activity and slows growth. This research has also indicated that levels of redistribution within a society change little with income inequality and that polarization along ethnic lines, but not inequality, is a significant determinant of political violence.

Additional areas of research by IRIS staff: Include a study by Peter Murrell on "How far has the transition progressed?", in preparation for the *Journal of Economic Perspectives* and a series of studies by Murrell and Georges Korsun on the outcome of privatization in Mongolia: "The Determinants of Insider Ownership in Privatizing Enterprises," "History versus Policy: How Much Does Enterprise Governance Change After Mass Privatization?", and "Ownership and Governance on the Morning After: The Initial Results of Privatization in Mongolia."

As a measure of recognition of IRIS expertise in the analysis of transition economies, IRIS/Mongolia Project Economist Peter Murrell was reappointed to the Board of Trustees of the National Council for Soviet and East European Research and to its Executive Committee, and also elected to the Executive Committee, Association of Comparative Economic Studies. In addition, he is serving as Associate Editor, *Journal of Economic Perspectives* and on a review committee for the new *World Development Report* of the World Bank, which will be on transition economies.

Economic Growth Center Workshops. IRIS assisted the Economic Growth Center within USAID in developing and presenting a four-day training workshop for private sector and agricultural officers held the third week of September in Leesburg, Virginia. The Growth Center requested that IRIS provide workshop participants with information on legal, regulatory and judicial reform. In addition to a set of reading materials, IRIS provided several speakers and session moderators. IRIS Chair Mancur Olson opened the workshop with a discussion of the linkages between overall economic growth and the nature of the legal and regulatory systems; he demonstrated why efforts by workshop participants to identify issues specific to agribusiness and private sector development would inherently contribute to a broader set of reforms involving more secure property rights and more efficient contracting.

Three IRIS speakers helped workshop participants understand some broad issues inherent in the process of designing appropriate reform. University of Maryland Professor Anand Swamy presented some evidence from case studies of suggesting that careful study of existing arrangements for how a developing society handles property rights, including those informal practices without official

"legal" status, will contribute to more successful reforms that produce results as expected. IRIS Director Charles Cadwell suggested that a distinction needs to be made between the type of reforms that benefit a society broadly and a second, socially-desirable type that confer benefits on very narrow interest groups. University of Maryland Professor and IRIS/Mongolia Project Economist Peter Murrell offered a set of observations about the conditions which influence what specific reforms happen at what stage in the building a new, functioning system of legal and regulatory processes. IRIS Field Director Dennis Wood, Market Environment Director Robert Thorpe, and Workshop Coordinator Cindy Clement also assisted workshop participants in formulating recommendations for the assessment, design and evaluation of assistance projects which included legal, regulatory and judicial reform elements.

II. PROJECT IMPACT

A. Achievements During Quarter.

Armenia: Center for Economic Policy Research and Analysis. The Center won a World Bank contract to profile Armenia's health and education sectors. This award diversifies the Center's funding and acknowledges the Center's accomplishments in its ongoing work in areas including GDP accounting, the development of export policies, and commercial law needs assessment, and household income and expenditure patterns.

Nepal: Foreign Investment and Export Promotion. At the Government's request, IRIS/Nepal completed a study on the implications of removing a fixed capital investment of Rs. 20 million for foreign investment which effectively shut out investments in the small and medium scale sector. Government has already announced in the budget statement (October '95) that it shall be removing this requirement and shall be tabling the amendment in the coming Parliament session. Similarly, IRIS is also reviewing difficulties in export procedures being faced by small-scale exporters. Recommendations are being made on reducing the transaction costs for smaller businesspeople, which is inhibiting the entry of new exporters.

Nepal: Women-owned and Microenterprise. IRIS/Nepal has been heavily involved in start-up of new activities such as micro-credit programs, business consultancy and education for women owned rural based micro-enterprise activities, and assistance to women based business organizations. These programs have already benefitted more than 100 women through increased business sales and credit access.

Poland: Collateral Law Survey. *Butterworths Journal of International Banking and Financial Law* added a special supplement to its September edition to publish the IRIS "Survey of Asset-Based Lending in Central and Eastern Europe" in full. *Butterworths* is one of the most prestigious banking and finance publications in the world. The survey was distributed to all banking and finance lawyers attending the International Bar Association

Biennial meeting in Paris the first week of September.

Poland: Collateral Law Reform. IRIS co-sponsored two 2-day seminars entitled "Commodity Risk Management and Agricultural Financing" in Poznań and Gdańsk for the agricultural financial sector. Because the creation of a futures and options market to limit agricultural risk in Poland depends upon bonded warehouses, which in turn depend upon collateral law reform and a central pledge registry to register the warehouse receipts, IRIS co-organized these seminars as a vehicle to build support in the politically critical agricultural sector for the collateral law reform now pending in Parliament. Important Parliament members who are members of the Agricultural Party (PSL) attended both sessions and were supportive of collateral law reform. IRIS made important allies for collateral law in the banking, insurance and political sectors by means of these seminars. There was TV, radio, and press coverage of both events.

Russia: Civil Code. On September 5, the Civil Code Drafting Commission presented Part II of the Code, in which IRIS has been extensively involved, to the President's Administration. President Yeltsin is expected to submit the legislation to the Duma in October, with enactment possible before Duma elections at the end of the year. Part II of the Code will contain an extensive section on specialty contracts such as sales and purchase, banking transactions, leases, and franchising. IRIS-sponsored working sessions and written comments on the draft contributed particularly to sections on insurance and franchising.

B. Core Administrative Functions

1. Research dissemination.

Final Report. Work on this report has been postponed until January 1996.

Requests for IRIS publications.

Period	Number of requests	Items requested
4/1/95-6/30/95	Total: 63	Total: 284
	USAID: 8	USAID: 56
7/1/95-9/30/95	Total: 72	Total: 180

	USAID: 4	USAID: 22
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Downloads from IRIS World-Wide Web Site		
July: 590	August: 562	September: 681

WAFERs. Grigory Yavlinsky, leader of the liberal Duma faction "Yabloko" and a front-runner in the upcoming presidential elections, spoke on "Can Democracy Sustain the Russian Reforms?" on September 6th. He spoke on the balance of political forces in Russia, their economic programs, and prospects for specific economic reforms.

Update. An Update (5:2) was printed and distributed in September; another is planned for mid-December.

"Lessons Learned" from Field Programs. Materials received from the IRIS Scholar's program and several IRIS field programs were utilized in IRIS presentations at a pair of G/EG workshops in September.

Economic and Political Institutions Book. *Institutions and Economic Development* is under review for publication at the University of Michigan Press. Some chapters are undergoing revision, with final drafts being expected in late November. Publication will occur in the Spring of 1996.

2. Other Issues: None.
3. Financial Data: Following page.
5. Attachments: None

Quarterly Field Report: Cambodia

I. Administrative Information

Reporting Period: July 1, 1995 - September 30, 1995

BOA Number: ANE-0015-1019-00

Delivery order Number: 23

AID Project Office: G/EG/EIR (O. Koropecy, 522 SA-2)

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. Performance Information

1. Project Purpose Summary Statement

A. Project Purpose. IRIS was asked to perform a review of major institutional or "enabling environment" issues affecting economic development in Cambodia, and of the programs under USAID's Democracy and Governance Program that attempt to address those issues. On this basis, IRIS would present to AID an analysis and recommendations concerning issues of highest priority where AID might play a future role in supporting institutional reform and economic progress in Cambodia.

B. Relationship to USAID Program Strategy. A common factor in countries which experience rapid economic growth is that their institutional environments have ensured that firms and individuals engage in mutually advantageous trade. Foreign aid may contribute to the establishment of such an institutional environment through education, technical assistance and policy-targeted research. Well targeted and well designed intellectual inputs can contribute to the process of institutional evolution and policy design in Cambodia.

C. Highlights of Program Progress During the Reporting Period. IRIS's task was designed as a two-team effort. The first, three-person, team spent ten days in Cambodia, conducting interviews with some 30 to 35 representatives of donor governments, international donor agencies, NGOs, and the Royal Government of Cambodia (RGC). This report should serve

as a guideline and starting point for the second team.

The first IRIS team identified tentatively five areas as priorities for AID/Cambodia's future assistance program strategy. They are highly interconnected. In particular the importance of building institutions in Cambodia cuts across all five themes as well as others. These institution building efforts would include working to improve urban rural linkages while emphasizing pilot projects which build on local institutional development initiatives.

IRIS suggests that USAID/Cambodia consider setting up a public policy institute with a long-term, interdisciplinary staff. The institute would have several functions: To monitor the economy, to assist in the implementation of institutional change, to establish and maintain close relationships with Cambodian policy makers by means of seminars and conferences, to arrange for short-term visits by experts on various specific topics, to collaborate and coordinate with other international donors and so on.

The following have been identified tentatively as the areas in which the need appears to be greatest:

- C ***Human Resource Requirements:*** The institutional and resource constraints to rapid development of skilled personnel need to be addressed on an urgent basis. This would include configuring, or re-configuring, training programs, licensing requirements, and human resource-related laws and regulations (e.g. immigration law) to maximize incentives and remove obstacles for those wishing to improve their skill levels through education and training programs.

Additional AID support should be considered for technical assistance aimed at achieving incentives -- that is, training program structures, professional licensing rules, and relevant laws, etc. -- that are rational in light of Cambodia's human resource needs. In view of limited resources, increased direct support for training programs is likely to be limited and highly focused.

- C ***State Building: Public Law and Transparency:*** The development, passage, and implementation of enabling legislation related to the powers of, and relationships among, branches of the Royal Government of Cambodia is urgently needed. In any system, this is the necessary predicate for transparent, rule-bound behavior by executive agencies, courts, and legislative bodies. This, in turn, is fundamentally important to investors, as it determines the level of confidence they can have that government will treat contracts, property rights, and economic regulation according to known and stable rules. Cambodia suffers from

serious lacunae in this area.

Suitable activities for USAID assistance may be: Technical and related support for the development of a basic infrastructure of public law, including organic legislation on the functioning of the executive and the courts, and administrative law. It is also important to consider implementation mechanisms such as the creation of an international transparency committee, a government agency willing to act as a laboratory for transparent rule making and execution and a research and training institute capable of disseminating these ideas to officials from all branches of government as well as the general public.

Land Tenure: Achieving a system of clear and respected real property rights is widely acknowledged to be of surpassing economic importance to Cambodia. An effective land tenure system, including mechanisms for registration and adjudication which are trusted and used, can spur agricultural production, stimulate capital markets, and help ensure sustained investment growth. Such a system is absent in Cambodia, and what functioning land markets there are, operate only on the principals' confidence that powerful government figures stand behind any title document.

USAID could support the following technical assistance: seminars and similar activities on the formulation of options for reform of land tenure, titling, and/or adjudication. This could develop into a collaboration on the framing and implementation of a reform program and increasing the effectiveness of claims settlement procedures.

- C ***Private Sector Development:*** Cambodia is at a very early point in the development of a private sector. Apart from new starts, Cambodian enterprises went into private hands only within the last few years, and public sector attitudes at all levels still have a strong dirigiste flavor. As a result, the need for support to develop entrepreneurs and new businesses is vast, and includes training, advisory services, business incubators, credit programs, and other basic forms of aid.

USAID should consider supporting a program of assistance to small and medium sized businesses and other private sector developments, possibly including training, incubators, advice on basic regulatory and business licensing reform, etc.

- C ***International Trade and Investment:*** Cambodia needs to develop commercial linkages as rapidly as possible. In order to do so, it must provide potential trade and investment partners with the maximum incentives to enter business relationships that will be of benefit to Cambodia. This requires both a well-considered trade and investment policy and accession

to the relevant international conventions, including the World Trade Organization, the Association of South East Asian Nations, and other bilateral and multilateral arrangements. Professional handling of these issues is probably beyond Cambodia's present human resource capacity.

A suitable activity for USAID may be: Technical assistance in the formulation and implementation of international trade and investment policies with emphasis on accession to relevant international conventions.

Quarterly #16 Field Report: Central Europe

I. ADMINISTRATIVE DATA

Reporting Period: 1 July 1995 - 30 September 1995

BOA Number: ANE-0015-B-1019-00 (extension number: ANE-0015-B-18-1019-00)

Delivery Order Number: 18

AID Project Office: G/EG/EIR (Orest Koropcky, 522 SA-2)

AID Office funding delivery order: EUR/RME (Susan Gurley 4733 NS)

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

- A. Project Purpose: The purpose of the IRIS-Central Europe¹ project is to create a positive commercial law institutional framework for the development of the financial sector in Poland and five other countries (Lithuania, Macedonia, Bulgaria, with limited activities in Croatia and Albania). This purpose is being accomplished by assisting these countries to reform their collateral and bankruptcy laws.
- B. Relationship to USAID Program Strategy: Poland has been one of the most successful of the C&EE countries in the transition to a market economy. There continues, however, to be a great need to create employment and to expand the private sector, especially the SME sector where most new job creation occurs.

An important constraint to job creation and private sector expansion is the lack of credit. Numerous USAID financed studies and projects, the World Bank and the European Bank for Reconstruction and Development have identified the absence of a modern commercial banking system as one of the principal blocks to further development. Without it, private capital (foreign or domestic) cannot flow into the region for lending to credit-worthy firms. This has not happened because Poland, and indeed each of the countries of C&EE, lacks an effective collateral law which would enable banks or other creditors to do asset-based lending to new and existing firms. At present, the only effective collateral is cash on deposit at the lender or guarantees from other banks or contacts of the debtor. Banks fear to lend, knowing collection is uncertain and difficult. If an effective collateral law with a central registry to prevent fraud were enacted, commercial lending to the private sector could increase dramatically.

The IRIS-Poland II project assisted Poland in drafting a new collateral law, and IRIS-Central Europe is assisting Poland to implement a collateral law and to use the lessons learned in the other countries of C&EE. IRIS has encouraged the participation of local legal and banking associations in reforming their societies, and leveraged other assistance and programs of USAID, the World Bank, and EBRD to the financial sectors. This will lead to sustainable economic development by making bank credit available to new and existing businesses starved for credit. IRIS-Central Europe has long-term

¹ The IRIS-Poland Project III changed its name to IRIS-Central Europe effective February 1995. The new name better reflects the new regional scope of the Warsaw office and is deemed less likely to arouse political apprehension in countries such as Lithuania, where there have been conflicts with Poland in the past.

advisors [LTA] in Lithuania and Bulgaria engaged in this process, and during the quarter selected a new LTA for Macedonia to replace the acting LTA, who opened the office in Skopje.

C. Highlights of program progress during the reporting period:

1. Poland

- o Draft Collateral Law approved by Council of Ministers
- o IRIS working with the Union of Polish Banks to resolve the "tytuł wykonawczy" issue.
- o Polish Vice-Minister Zdziennicki suggests IRIS cooperation in setting up the Pledge Registry.
- o IRIS' Legal Consultant to write commentary on present Polish bankruptcy law and the need to reform.
- o Model Contracts book, cosponsored by IRIS-Central Europe completed, printing is in progress.
- o IRIS-Central Europe co-sponsors two seminars to build support in the agricultural sector for collateral law reform.
- o Regional Collateral Law Survey prepared by IRIS-Central Europe is published in Butterworths Journal of International Banking and Financial Law.

Polish Collateral Law Reform. The major focus of IRIS-Central Europe's activities in Poland is enactment and implementation of the draft collateral law prepared during the prior two years with IRIS technical assistance.² Since its inception, IRIS has cooperated with the top legal experts of Poland who formed the Advisory Commission for Reform of the Civil Code [CRCC], the Polish Ministry of Justice [MOJ], the National Bank of Poland [NBP] and Polish and foreign legal scholars to draft a collateral law which is now under consideration in the Polish Parliament. The main accomplishment of IRIS-Central Europe has been the creation and support of a local **Polish-led** coalition of academic, government, and business leaders interested in collateral law reform.

The second quarter of 1995 was characterized by major developments in the project. The draft collateral law was formally approved by the Polish Council of Ministers on July 18, 1995 and submitted to the Sejm or Polish Parliament where it will shortly be referred to committees for expert study. IRIS consultants are working closely with members of these committees. Owing to IRIS led attacks on secret tax liens, there is also pending parallel legislation for tax reform which eliminates the system of secret tax liens proposed by the draft. Under this proposal, any tax liens against real estate would be required to be filed in the perpetual book where all mortgages are normally filed. Precedence would be determined by date not by category. Tax liens against personalty will be registered in a newly created tax lien register, but priority with other public registers (i.e. the newly proposed pledge register) will be determined by the earliest filing date. While the creation of a second registry for tax liens on personalty is duplicative, the impact of this is the creation of the system of priorities which IRIS has been recommending.

² Collateral law (sometimes called "secured transactions" or the creation of "charges" or "liens") is the legal institution whereby a creditor can take a "collateral interest" in certain goods (often those purchased by means of the loan) of the debtor. In case of default, the creditor is allowed to repossess and sell those goods ahead of other creditors to satisfy the loan.

Still an issue is the elimination of the bank execution title, called the *tytu» wykonawczy*. Under present Polish laws, banks can collect debts without judicial process with the help of bailiffs. The NBP and the banks have been loath to give up this power. To foster a compromise, IRIS has met with bank representatives and signed a research contract with the Education Foundation of the Union of Polish Banks to research the use of the bank execution title in actual practice. This report will be ready in mid-October when the Sejm considers the draft.

IRIS legal experts have been corresponding with the NBP experts to resolve this issue. IRIS and some bank presidents have suggested that the execution title be retained for several years until present loans are paid off and then that the privilege apply only where the debtor has agreed in his loan agreement to such a procedure. In this way, the practical needs of the banks and the impropriety of banks being above the law will be satisfied.

Professor Feliks Zedler and Supreme Court Justice Tadeusz Erecinski agreed to write an article in the newspaper *Rzeczpospolita*, explaining the issue of *tytu» wykonawczy*.

Central Registry. The organization of a central pledge registry is a key portion of collateral law reform. For it to be effective, it must be planned in a manner that will allow it to become part of a centralized system of registries as shown in the Norwegian model where the system is self-supporting. Information from many ministries is brought together and then sold on line to banks, lawyers, notaries, and others needing the information. During the quarter, the Ministry of Justice has worked solely with the Norwegians and without the active participation of other ministries or USAID groups on the overall plan. In the opinion of IRIS and of Peter Kyle, Esq. of the World Bank the inexperience of the MOJ and the Norwegians with international borrowing could make the present plan a waste of time. The WB cannot write a check for \$70 to \$100 million dollars on the basis of the study which the Norwegians and the MOJ were preparing. WB rules require that it participate actively, hire the outside experts, and prepare the study itself for submission to its board. Kyle said that talk of the EBRD's financing the study was unlikely in view of the large sum involved -- beyond EBRD's lending capacity for such a project.

On 13 September 1995, IRIS-CE Director Dwight, Dr. Tomasz Stawecki, IRIS collateral law coordinator, and Dr. Ewa Szymańska met with Vice-Minister Zdziennicki to discuss further IRIS cooperation with the MOJ. The Minister said that once the Polish-Norwegian study is issued in mid-October, he sees a large role of IRIS assistance in setting up the pledge registry and giving technical assistance in realization of the plan. Among the subjects mentioned was sponsoring a seminar on Identifier issues (ID numbers) and expert review of the Polish-Norwegian plan in coordination with the World Bank.

On a regional basis, IRIS and the Norway Group cosponsored a conference on Central Registries Reform. Between 21 and 27 August, experts from Ukraine, Croatia, Macedonia, Bulgaria, and Lithuania met first in Warsaw to hear the Polish experience from MOJ officials, and then went for five days to Norway to examine first-hand the operation of the Norwegian central registries system.³

Bankruptcy. Ewa Szymańska and Artur Nowicki met with Richard Coates of Deloitte and Touche and Judge Dariusz Czajka from the Association of Polish Lawyers concerning the drafting of new bankruptcy legislation and the training of Polish judges.

³ See Attachments II, VII.

Professor Zedler will write a commentary detailing the shortcomings of the present Polish bankruptcy law and the need for reform.

Model Contract Project. IRIS-Central Europe signed a contract with the Institute for the Protection of Intellectual Property at the Jagiellonian University to complete the Polish half of the Model Contracts book. The book was finished and presented during a special seminar held in conjunction with the Intentional Conference of High Pressure Physicists at the University of Warsaw on September 13, 1995. The Polish Komitet Badan Naukowych (equivalent of the Ministry of Science) is now printing the Polish version and will be distributing both books

Collateral Law Survey. *Butterworths Journal of International Banking and Financial Law* added a special supplement to its September edition to publish the IRIS "Survey of Asset-Based Lending in Central and Eastern Europe" in full. *Butterworths* is one of the most prestigious banking and finance publications in the world. The survey was distributed to all banking and finance lawyers (400 out of 4000) attending the International Bar Association Biennial meeting in Paris the first week of September.⁴

Other activities In cooperation with the Financial Services Volunteer Corps, FAMI (Foundation for Agricultural Market Infrastructure -- a Polish foundation supported by USAID through VOCA and headed by a dynamic Polish-American NYC commodities trader-- Kazimiera Sperling), and the World Bank, IRIS co-sponsored consecutive two-day seminars entitled "Commodity Risk Management and Agricultural Financing" in Poznań (18-19 September 1995) and Gdańsk (20-21 September 1995) for the agricultural financial sector.⁵ Eighty persons attended in Poznań; seventy-five in Gdańsk, not including the organizers and staff of FAMI, FSVC, and IRIS. Because the creation of a futures and options market to limit agricultural risk in Poland depends upon bonded warehouses which in turn depends upon collateral law reform and a central pledge registry to register the warehouse receipts, IRIS co-organized these seminars as a vehicle to build support in the politically critical agricultural sector for the collateral law reform now pending in Parliament. Important Parliament members who are members of the Agricultural Party (PSL) (which holds the balance of power in the Parliament) attended both sessions and were very supportive of collateral law reform. IRIS made important allies for collateral law in the banking, insurance and political sectors by means of these seminars. Extensive training materials are available from IRIS. There was TV, radio, and press coverage of both events.

IRIS-CE entered into negotiations this a quarter with the Center for Social & Economic Research (CASE), a Warsaw think tank chaired by the architect of the Poland's transition to a market economy, Leszek Balcerowicz. The aim of the negotiations was to secure USAID funding, through IRIS, for the CASE research project "The Second Stage of Economic and Political Transition in Poland". CASE received the funding from USAID directly and IRIS and CASE have agreed to cooperate on the project. This will include participation by Mancur Olson in IRIS-CASE activities.

Audit. Arthur Anderson Audited the Poland office and issued a favorable report on the handling of office finances.

2. Lithuania.

⁴ See Attachment I.

⁵ See Attachment XIX.

- o Skeletal draft of Secured Transaction law produced by IRIS drafting team consultants.
- o Prime Minister of Lithuania in letter to USAID-Lithuania, reiterates his government's commitment to collateral law reform.
- o Lithuanian Ministry of Justice, Seimas, the Prime Minister's office, and the Agricultural Ministry support the idea of the Collateral Law conference scheduled for Nov. 16-17, 1995.

The quarter's early weeks were characterized by a disappointing legislative setback and by the emergence of evidence that the Lithuanian authorities are less than fully committed to the establishment of a workable secured transactions system. In response thereto, IRIS undertook a number of initiatives to not only stress to relevant Lithuanian players the importance of this component of the country's commercial framework, but also to demonstrate that the development of such a system is viable. As a result, a modest skeletal draft has been produced; the Prime Minister has reiterated the Government's commitment to secured transactions development and its need for US funded assistance in that regard; the government has, in a decree, officially appointed the drafting committee; and several of the factions that oppose one another with regard to the formation of the system have organized a major conference (16-17 November) to help resolve their differences.

The amendments to the *Hipotekos Istatymas* (Mortgage Law) reported last quarter were opposed by the Ministry of Agriculture (MOA) and the Agrarian Committee of the Seimas on the grounds that the MOA should be in charge of the land registry and movables registry. Despite the protest, the Chairman of the Committee issued a decree specifically charging the MOJ with operation of a mortgage registry. Although the MOA did not have enough influence to defeat the amendments and the draft law, their objections were sufficient to postpone their consideration until the Autumn Session.

This development was disappointing to the IRIS effort because the members of the informal "movables" committee that IRIS had helped form were reluctant to produce anything without the express *imprimatur* of the government. Because that had not been forthcoming, we decided to include a specific charge for the movables effort. In response to this development, IRIS proceeded as follows.

Establish a Relationship With The Prime Minister's Office. Since the source of the problem was obviously inter-ministerial conflict, the IRIS Lithuania director decided to establish a relationship with the Prime Minister's office, because the office would ultimately be called upon to resolve the conflict. In July and August, Corrigan met with Rima Ruskyte, Assistant Legal Counsel to the Prime Minister. After introducing her to the IRIS project, Corrigan advised her as to the way that collateral systems operate in Western Countries. In two subsequent meetings, Corrigan fielded specific questions from the office regarding the operation of a registry and the difference between the geodesic information function of a land registry and the "legal rights" function. Later in the quarter, Corrigan and Ronald Dwight met with Ms. Ruskyte's superior, Vladas Kumpa and discussed similar matters as well as the necessity that the Government formally sanction the work of the movables committee. Several weeks later, the Prime Minister issued a decree naming the members of the committee and commissioning it to deliver a draft to the Seimas by 1 April 1996. Moreover, the Prime Minister delivered to USAID-Lithuania a letter reiterating his government's commitment to collateral reform and asking for continued technical assistance in that regard.

Heighten Public Relations Efforts. Consensus building plays an important role in Lithuanian Legal reform, and this project has focused on public support for collateral law reform. There remains, however, an element of indifference in the banking, business and legal communities regarding collateral law in general. Thus, during the quarter, Corrigan met twice with the managing editor from *Verslos Zinios* and once with the Lithuanian resident correspondent for the *Baltic Observer*. Both publications promised a feature article sometime in the autumn. Corrigan also approached the Lithuanian Lawyer's Association and suggested that it (with IRIS sponsorship) hold a conference on secured transaction law that will present policy choices to the Lithuanians and, in which the Lithuanians themselves will expose the damage and the delays that inter-ministerial conflict has engendered. Through a series of meetings and correspondences, Corrigan aroused the interest of the MOJ and the Seimas in the notion of a conference. Both of these organizations, as well as the Prime Minister's office and the Agriculture Ministry, have embraced the idea. The conference will be held on 16-17 November at the Seimas hall, and will conclude with a press conference.

Liaise with the Agriculture Committee. In July, Corrigan met with Ramauldas Abugeilis, advisor to the Seimas Agricultural Committee to discuss better relations between those who believe that the Agriculture Ministry ought to control the secured transactions system and those who do not. Abugeilis agreed and stated that Mr. Pronckus agreed as well. Later, in September, Corrigan met for three hours with Mr. Pronckus, who stated that he "only wanted the best system for Lithuania". The Agriculture Ministry and Committee will be well represented at the conference.

Solicit Continued Support of the Development Finance Community. While it is true that the World Bank's country officer and the WB's Enterprise and Financial Sector Reform Group are displeased with Lithuania's progress toward a workable, effective, and fair secured transactions system, it is also true that the WB has never raised the matter to one of "conditionality." In August and September, Corrigan contacted the World Bank country officer, the EBRD's banker in charge of lending in the Baltics and the President of the Baltic American Enterprise Fund and asked each of them to agree to sign a letter to the government and each member of the Seimas regarding the slow pace of reform. The WB and the BAEF, in the final weeks of the quarter, agreed to do so. IRIS awaits the EBRD's response.

Produce a Skeletal Draft. Before the issuance of the decree referenced in "A" above, IRIS and two of the members of the drafting committee spent much of the summer producing the first several sections of the draft that will guide the officially sanctioned group's work.

3. Bulgaria.

- o IRIS-Bulgaria supports formation of drafting team to revise Bulgarian pledge law, which is endorsed by Bulgarian Minister of Justice.
- o Bulgarian Ministry of Justice sponsors ceremony officially welcoming IRIS-Bulgaria to the country.
- o IRIS-Bulgaria Collateral Law Reform Project is described in Reuter's Daily News article.
- o Preparations for October conference on Pledge Registry Development nearly completed.

Drafting Group Formed. IRIS-Bulgaria, with the endorsement of Minister of Justice Mladen Cherveniyakov, helped form a drafting group in May of this year to revise the Bulgarian pledge law.⁶ The nucleus of the drafting group met on a weekly basis throughout July and parts of August and September (breaking for the annual summer holidays). The group studied comparative legal materials gathered and translated into Bulgarian by IRIS-Bulgaria and the Center for the Study of Democracy (CSD) Law Reform Program. (Such materials include the Quebec Civil Code, Polish Draft Pledge Law and the EBRD Model Law on Secured Transactions. Materials in the process of translation include the Dutch Civil Code and US Uniform Commercial Code (Article 9)). The group has considered various concepts for developing a collateral or registered pledges law in Bulgaria and has tentatively concluded that the existing Bulgarian law (providing for possessory pledges) should be left unchanged and continue to function alongside a modern registered pledges law that the group will draft. It also discussed rules to limit possible conflicting possessory and non-possessory security interests under this scheme. The group has adopted in principle a first chapter of a registered pledges law that identifies the parties that can grant and receive security interests, the type of debt that can be covered and the collateral that can be used.

On a macro level, the group outlined an overall strategy for asset-based lending legislative reform, beginning with the IRIS-Bulgaria objectives of drafting a pledge law and developing a pledge registry. It then wants to continue its momentum and use its expertise to tackle foreclosure law reform.

Registry Development. Drafting Group members Professor Alexander Katzarsky, Judge Borislav Belaselkov and Silvey Chernev, Esq. traveled in late August with IRIS-Bulgaria Project Coordinator Dessislava Apostolova and Director Mark Beesley to Norway to study the Norwegian collateral registry system. IRIS-Bulgaria is using the experience to help prepare for its Pledge Registry Development Conference to be held on 16-17 October in Sofia. The purposes of the Conference are to determine whether there is a need to develop a collateral registry in Bulgaria and, if so, the best methods to do so. The Conference is supported by the Ministry of Justice and sponsored by IRIS-Bulgaria, the World Bank, CSD, and German Foundation for International Legal Cooperation.

It is important for the drafting group and other Bulgarians to begin considering pledge registry development now for at least two reasons. First, exploration of the types of pledge registries that exist, how they are established, upon what statutory basis they rely, and whether they work, are important questions for drafters of the Bulgarian collateral law to consider. The type of registry that will develop because of a new law is perhaps one of the more obvious and easy practical considerations over which the drafters should dwell. Second, development of a pledge registry is a fairly big project. IRIS-Bulgaria believes it is wise to examine competing systems and technologies and give people a chance to digest such information between now and the time it is necessary to consider development details -- after a legal framework is more securely in place. It sometimes takes a good deal of study and discussion before people are ready to act on such proposals; IRIS-Bulgaria wants to start the process now rather than a year from now.

Project Start-up. On 19 September the Bulgarian Ministry of Justice sponsored ceremonies officially welcoming IRIS-Bulgaria to the country. Approximately seventy-five Ministry of Justice officials, judges, academics, business leaders, bankers, lawyers and foreign ambassadors and dignitaries attended the event, including AID Resident

⁶ See Attachment XV.

Representative John Tennant, Private Sector Officer E.E. "Skip" Kissinger and US Commercial Attach- Patrick C. Hughes. Director Beesley offered brief comments thanking the Ministry of Justice, the local community and USAID for their strong support of IRIS goals.

IRIS-Bulgaria and the CSD reached an agreement this quarter under which IRIS will lease space, partial furnishings and equipment and some CSD Law Reform Program staff to work on the IRIS project. CSD Law Reform Program lawyers have been studying Bulgaria's collateral law problems for nearly three years; their expertise will greatly assist the Project and should accelerate IRIS-Bulgaria's ability to achieve its objectives.

Damian Sobiechowski a specialist in accounting systems in the IRIS-Central Europe office in Warsaw visited Sofia in July to work with IRIS-Bulgaria and CSD staff in organizing financial accounting and reporting systems. Mr. Sobiechowski's presentations were clear, organized and succinct and were extremely helpful for the office.

Outreach. In August, IRIS-Bulgaria published a short brochure describing the Collateral Law Reform Project. Reuters' Daily News, Sofia's English-language paper, published an article in its 8 August edition that relies heavily on the brochure.⁷

On other matters, Director Beesley and Stephan Kyutchukov, CSD lawyer and IRIS-Bulgaria drafting group chair, met and spoke on 21 July to a new group of Peace Corps Business Volunteers on commercial law problems they may encounter during their labor.⁸ Beesley also served as a facilitator at the 25 July AmCham Governmental Issues Conference. The purposes of the Conference were to identify issues of concern to American business interests in Bulgaria and assist AmCham in developing solutions to the problems. At the request of the Bulgarian-American Enterprise fund, Beesley also served as a judge reviewing nominations for the BAEF Award for Young Entrepreneurs 1995.

4. Macedonia

- o Long-term Advisor for IRIS-Macedonia position hired.
- o Macedonian Vice Minister of Justice supports IRIS efforts to support collateral law reform and commits to selecting members for the drafting team.

Several obstacles that had been impeding progress in Macedonia were addressed and rectified during this quarter: (1) The Long-Term Advisor (LTA) for the Skopje office has been hired. (2) The original Macedonian expert intended to head the drafting effort, Stefan Georgievski, withdrew from the project, and was replaced. (3) Administrative procedures were held up because of delays in obtaining requested documents for registration.

LTA. Ruth Cinniger was approved in September 1995 as the Director for IRIS Macedonia. She will attend the IRIS Bulgaria conference in October, return to the US and then assume her duties around the first of November.

⁷ See Attachment XIV

⁸ See Attachment XXI

Drafting Group. In a meeting between Vice Minister of Justice Dragan Tumanovski and Acting IRIS-Macedonia Director William Rich, Mr. Tumanovski indicated that collateral reform was essential for Macedonia, that he had identified a group of local experts to work on the project, and that a letter from the Ministry to USAID expressing their commitment to collateral law reform and to IRIS assistance would be forthcoming shortly. He said that he would be attending the Sofia conference personally and would select five other people, whom he expects to be involved in the drafting process.

Administrative. The legal documents to register the program were received on 27 September and the registration process began. William Rich signed initial letters prepared by the lawyer, which will be submitted to the relevant ministries along with official translations of the documents sent by URCI. Estimated completion date is 20 October.

Consensus Building. Other activities included sending two Macedonian participants, Judge Tome Buñarovski and Chief Prosecutor Kosta Petrovski, to the presentation of the Norwegian Central registry system. Also, on 21 September, William Rich organized and chaired an informal roundtable discussion on collateral law and central registry reform. Rich opened the meeting with a description of Western collateral law, the aim of reform, the concept of non-possessory security interests over movable property and necessity of registration. The Norwegian system was then explained by Buñarovski and Petrovski. This was followed by a lively open discussion. Professor Gale Galev, Vice Rector of the University and Law Faculty professor explained the legislation under which asset based lending is presently governed, and the extent thus far of reform. (Tumanovski subsequently mentioned that Galev will likely lead the drafting commission.)

Other. The quarter also saw a partial resolution of the dispute with Greece, which has ended the damaging economic embargo and led to full diplomatic relations with the United States. On 29 September, William Rich attended a reception hosted by the Ambassador commemorating the event.

5. Croatia

- o Croatian Ministry of Justice official asks for IRIS assistance in financing drafting work.

The war in Kraina created difficulties in contacting the USAID mission regarding participants to the Norwegian registry presentation. Croatian Ambassador to the United States Petar Šar..evif, who had initiated the CEELI Collateral Law Conference in Zagreb last April, was contacted by IRIS. He contacted the Ministry of Justice (MOJ) and then proposed that we invite Professor Mihajlo Dika and Snezana Bagif of the MOJ.⁹ The Croatian delegation to Norway was very dynamic and has inspired further interest in Collateral law reform in Croatia. IRIS agreed to provide Professor Dika with relevant research materials, and he showed a willingness to participate in future regional collateral law events. The MOJ official, Ms. Bagif, asked IRIS for assistance in financing drafting work by Professor Dika and others. They were asked to meet with the USAID Representative to discuss the Norway trip and the need

⁹ See Attachment XVII

for additional assistance.

In the opinion of IRIS-CE, Croatia is the most appropriate place for the next collateral law project. The Croatians are very self motivated, have sufficient experts identified, and are ready to begin work. Further steps will be discussed at the Sofia conference 16-17 October 1995.

6. Albania

William Rich initially tried to visit Albania in July to access the collateral law situation and to find a suitable Albanian participant for the Norway trip. The mission representative said that it was not possible to allow any TDYs at that time and no representative from Albania visited Norway. William Rich did visit Tirana from Skopje on 22-24 September and spoke with key people in the reform community. Gjergj Vani, a lawyer involved with banking sector reform possessing excellent language skills was identified by Rich as a suitable candidate to attend the Sofia Conference. USAID Rep. Diane Blane told Rich that a new Economic Officer would be coming to the Mission by the end of the year who could act as a direct contact for IRIS activity in Albania. This, together with the hiring of Ruth Cinniger in Skopje should permit IRIS assistance and Albanian participation in collateral law reform to begin in earnest.¹⁰

7. Ukraine.

Although IRIS-Central Europe is not funded to work directly in Ukraine, it was asked to assist the IRIS-NIS project in initiating collateral law reform activities in Ukraine. All this technical assistance was paid for by funds earmarked for the Ukraine and not from any IRIS-CE funding. At the request of Clara Lipson, five Ukrainians were included on the trip to examine the Norwegian Central Registries.

¹⁰ See Attachment XVIII.

2. Progress report

CENTRAL EUROPE

Poland

A. Technical Implementation

Activities Planned for Reporting Quarter	Current Status	Explanations
Collateral law project	2	On 18 July 1995 the draft collateral law was approved by the Polish Council of Ministers and sent to the Sejm. IRIS spent considerable effort in confirming this and obtaining copies of the final written materials that left the Council of Ministers. Ronald Dwight, Ewa Szymanska and Tomasz Stawecki met with Witold Cimoszewicz, Vice-Marshall of the Polish Sejm (4 July) Ronald Dwight, Ewa Szymanska, Tomasz Stawecki and Maciej Tomaszewski met with Vice Minister of Justice Zdziennicki, (13 Sept).
Cooperation with MOF	2	Ronald Dwight met with Vice Minister of Finance, Jan Kubik (6 July)
Central Registry Project	2	Trip to Stavanger, Norway, organized by IRIS and Norway Development Group for Lithuanian, Ukrainian, Macedonian, Bulgarian and Croatian representatives to examine Norwegian Registries (21-27 Aug). Ronald Dwight and Grzesiek Galusek lead group.
USAID	2	Ronald Dwight met with Laura Lindskog (15, 22 Sept); attended receptions for new USAID Representative Susan Olds (13, 28 Sep) Monthly contractor meetings: July - R Dwight, A. Nowicki; Aug-A. Nowicki, W. Rich; Sep- R. Dwight, G. Galusek.
Coordination with the World Bank	2	Ewa Szymanska, Adam Wasilewski met WB reps. Jaime Vasquez-Caro, Rochard Lacroix, Zoe Kolovou (6 Jul); Ronald Dwight met Jaime Vasquez-Caro (7 Sep); Grzesiek Galusek, Ewa Szymanska attended reception commemorating 5 years cooperation between WB and Poland (5 July).
Bankruptcy Project	2	Professor Zedler writing commentary for IRIS

Cooperation with MOJ	2	Tomasz Stawecki met with Vice MOJ Zielinski (11 July); Ronald Dwight, Ewa Szymanska, Tomasz Stawecki met with met Vice Minister Zdziennicki to discuss further IRIS-MOJ cooperation (13 Sep)
Publishing of the American Model Contracts for Technology Commercialization Projects (book version).	1	Book presented at International Conference of High Pressure Physicists U. of Warsaw (13 Sep)
Collateral Law Survey	1	Survey completed (Aug 95); Published by Butterworths (Sep 95); 700 copies sent to IRIS-CE for distribution, 50 sent to EBRD, London.
Collateral Law - Public Relations	1	Artur Nowicki, Ronald Dwight attended breakfast meeting with Prime Minister Jozef Oleksy; William Rich, Ewa Szymanska attended American Investment Initiative - Financial Services Volunteer Corps reception for John Whitehead (24 Aug)
Cooperation with CASE	2	Ronald Dwight met with Ewa Balcerowicz, CASE Vice President to prepare for meeting with USAID (16 Aug); second meeting took place following week
Cooperation with the British Chamber of Commerce (BCC)	2	Ronald Dwight wrote article on collateral law reform for BCC magazine
Cooperation with Center for Strategic & International Studies (CSIS)	2	Ronald Dwight met with CSIS Project Coordinator Jeffrey Abramson (15 Sep)
Cooperation with FAMI	1	IRIS cosponsored seminars: Poznań (18-19 Sep); Gdańsk (20-21 Sep)
Cooperation with International Development Law Institute (IDLI); and Warsaw Banking Institute (WIB)	2	William Rich met with William Loris, Senior Program Legal Counsel to plan IRIS involvement with IDLI-WIB collateral law training seminar for bank legal officers (1 Sep); Ronald Dwight met with Beata Kukawka, Director Legal Dept. Wielkopolski Bank Kredytowy (WBK) in Poznań (8 Sep);

Lithuania

Activities Planned for Reporting Quarter	Current Status	Explanations
Collateral law project	2	Lithuanian government, in a decree officially appointed a drafting committee. Ministry of Agriculture (MOA) and Agrarian Committee of Seimas oppose amendments to Mortgage law on the grounds that MOA should be in charge of the land registry and movables registry. Consideration of amendments by Seimas is postponed. Prime Minister commissions members of drafting team (IRIS consultants) to deliver draft to Seimas by April 1, 1996.
Cooperation with Prime Minister's Office	2	John Corrigan met with Rima Ruskyte, Assistant Legal Counsel to the Prime Minister. John Corrigan and Ronald Dwight meet with Ms. Ruskyte's superior, Vladas Kumpa, (July, August).
Heighten Public Support for Collateral Law Reform	2	John Corrigan met with Managing Editor from <i>Versolos Zinios</i> , and separately with resident correspondent for the <i>Baltic Observer</i> .
Secured Transactions Conference	2	The Ministry of Justice, the Seimas, the Prime Minister's office, and the Agriculture Ministry support the idea of the Secured Transactions conference scheduled for 16-17 Nov., 1995.
Cooperation with Agriculture Committee of Seimas	2	John Corrigan met with Ramauldas Abugeilis, advisor to the Seimas Agricultural Committee, (July).
Coordination with World Bank, EBRD, Baltic American Enterprise Fund	2	John Corrigan contacts World Bank country officer, EBRD's banker in charge of lending in the Baltics, and the President of the Baltic American Enterprise Fund, (August, September).

Bulgaria

Activities Planned for Reporting Quarter	Current Status	Explanations
Collateral law project (Bulgarian Pledge Law)	2	IRIS-Bulgaria with, Minister of Justice's endorsement, helped form drafting group.

Central Registry Project	2	Mark Beesley, Dessislava Apostolova, and drafting group members traveled to Norway to study the Norwegian collateral registry system, (21-27 Aug.)
Pledge Registry Development Conference	2	The Ministry of Justice, World Bank, Center for the Study of Democracy, and the German Foundation for International Legal Cooperation support the idea of the Secured Transactions conference scheduled for 16-17 Oct., 1995.
Cooperation with MOJ and AID	2	MOJ sponsors ceremonies to officially welcome IRIS-Bulgaria. MOJ officials attended including, AID Resident Rep., John Tennant, (19 Sept.).
Collateral Law - Public Relations	2	Reuter's Daily News publishes article describing the Collateral Law Reform Project (August).

Macedonia

Activities Planned for Reporting Quarter	Current Status	Explanations
Cooperation with MOJ	2	William Rich, Acting IRIS-Macedonia Director met with Vice Minister of Justice Dragan Tumanovski.
Central Registry Project	2	Judge Tome Buzarovski and chief Prosecutor Kosta Petrovski traveled to Norway to study the Norwegian collateral registry system, (21-27 Aug.)
Collateral Law Project	2	William Rich chairs informal roundtable discussion on collateral law and registry reform, (21 Sept.)

Croatia and Albania

Activities Planned for Reporting Quarter	Current Status	Explanations
Central Registry Project	2	Professor Mihajlo Dika and Snezana Bagic of the MOJ from Croatia traveled to Norway to study the Norwegian collateral registry system, (21-27 Aug.)
Albania Participation in Collateral Law Reform	2	William Rich traveled to Tirana and spoke with key people in the reform community

- (1) Action completed
- (2) Action in progress
- (3) Action delayed

- (4) Action canceled

Major Activities Planned for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Bulgaria Collateral Law Conference	16-17 Oct	IRIS Bulgaria
Collateral Law Training Seminar	13-17 Nov	IDLI-WIB
Collateral law Workshop for Members of Parliament	Nov-Dec	IRIS-CE; Bureau for Expertise and Analysis of Parliament
Lithuanian Collateral Law Conference	16-17 Nov	IRIS Lithuania
Macedonia LTA to begin work	1 Nov	IRIS Macedonia

B. Project Administration

Planning Activities for Reporting Quarter	Current Status	Explanations
Produce manual of office procedures and distribute to staff.	1	Booklet produced containing all office procedures in English and Polish
Financial audit	1	Completed by Arthur Anderson
Purchase of new software	1	Microsoft Office Polish
Hiring of Joe Herder	1	Replace Robert Byers (receptionist)
Hiring of Robert Ojzyński	1	Replace Witold Zawisza (messenger)
Promotion of Robert Staniszewski to Financial Assistant	1	Assumed Damian Sobiechowski's former duties
Adam Wasilewski's trip to Lithuania	2	Adam Wasilewski went to Vilnius to set up computer system for IRIS office there.
Rearranging office filing system	1	New filing system, old files removed to Cieczota storage space
William Rich returned to Macedonia	2	Continue IRIS-Macedonia administration

Current Status Key:

- (1) Action completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Activities Planned for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Hire part time assistant for email	10/95	IRIS-CE
Salary increase for Polish staff	11/95	IRIS-CE
William Rich trip to Skopje	10/95	IRIS-CE

New Equipment for Lithuania	10/95	IRIS-Lithuania
Artur Nowicki Training for Trainers course	10/95	WIB

III. FINANCIAL DATA Following.

IV. ATTACHMENTS

Attachment I "A Survey of Asset-Based Lending in Central and Eastern Europe" by William Rich, published by *Butterworths Journal of International Banking and Financial Law*

Attachment II "Report on the Central Registries Conference, Warsaw-Norway"

Attachment III Lithuania Trip Report, 4-6 September 1995

Attachment IV Letters To IRIS Vice Director Ewa Szymańska from National Bank of Poland

Attachment V Salans Herzfeld & Heilbronn newsletter mentioning Ronald Dwight and IRIS

Attachment VI Article in *Serwis Prawo - Pracownicy* on social insurance reform

Attachment VII Letter about Norway trip from Ronald Dwight to Vice Minister of Justice Zdziennicki

Attachment VIII Letter about collateral law draft from Ronald Dwight to Marshall of the Sejm Cimoszewicz

Attachment IX Letter from Ambassador Rey to Ronald Dwight

Attachment X Paper on Polish Commercial Jurisprudence by American Chamber of Commerce

Attachment XI Protocol of the Council of Ministers 18 July 1995 including collateral law

Attachment XII Task Directive from Hugh Pigott to Ewa Szymanska

Attachment XIII Letter and future action plan from CSIS, including support of collateral law

Attachment XIV Bulgarian articles on collateral law reform

Attachment XV	IRIS Bulgaria Staff Biographies
Attachment XVI	List of Participants of IRIS Macedonia Roundtable Discussion
Attachment XVII	Letter to William Rich from Croatian Ambassador to the US
Attachment XVIII	Albania Trip Report
Attachment XIX	Report and announcement for IRIS-FSVC cosponsored conferences
Attachment XX	Article on collateral law in Rzeczpospolita, 4 August 1995, p. 16
Attachment XXI	Letter from Peace Corps to IRIS-Bulgaria
Attachment XXII	Model Contract Books, Polish and English

ATTACHMENTS NOT AVAILABLE IN ELECTRONIC FORMAT

Quarterly Field Report: Egypt

I. ADMINISTRATIVE DATA

Reporting Period: July - September 1995

BOA Number: ANE-0015-B-00-1019-00

Delivery Order Number: 21

AID Project Office: TI/FI USAID/Cairo (Rodeina Fattah)

AID Office funding delivery order: TI/FI

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

- A. Project Purpose: This project is designed to assist the Government of Egypt in developing a competition policy regime in Egypt as part of the country's Economic Reform and Structural Adjustment Program (ERSAP). This policy is being developed to encourage and promote the growth of competitive markets by reducing restraints on competition emanating from agents in the public and private sectors. To accomplish this purpose the IRIS team will assess the Egyptian legal and regulatory environment in order to provide advice on the implementation and enforcement of the proposed legislation. It will also undertake industry studies and seminars to educate lawmakers and the staff of the competition agency on the content and implications of the law, as well as the analytical tools used to conduct formal investigations of anticompetitive practices.
- B. Relationship to USAID Program Strategy: The USAID/Cairo Program Strategy in Egypt emphasizes the strengthening of the economic and legal environment needed to support the growth of a market economy. The project actively promotes this strategy in the following ways. The analysis of the economic, legal and regulatory structure will assist the law drafters in the design of an appropriate and enforceable competition law. The project will also educate government officials and the public on the role of the competition policy regime in fostering the growth and vitality of a market economy.

- C. Progress toward Project Purpose during the Reporting Period: This past quarter was devoted to the start-up activities of this project. Background information on Egypt, such as existing laws and studies of the institutional and market environment were collected, and those in arabic translated. A draft paper on doctrinal, institutional and procedural policy issues was prepared. Dr. Georges Korsun, Project Director, travelled to Cairo in order to facilitate the start-up of the project. Dr. Korsun met with Mr. Larry Brown of USAID/Cairo, Mr. Taher Helmy of the law firm Helmy & Hamza, and Mr. Omar Mohanna and Sherif El-Diwany of the Ministry of International Cooperation to discuss the specific steps and activities to be pursued in implementing the project.

2. Progress report

A. Technical Implementation¹¹

Activities Planned for Reporting Quarter	Current Status	Explanations
Prepare initial policy questions for Egyptian law-drafting team.	1	Questions were sent to the Ministry of International Cooperation.
Draft a concept document outlining the strengths and weaknesses of alternative policy and procedural provisions, IRIS recommendations, and the key substantive policy decisions to be made by the Egyptian team.	2	The drafting of the paper was begun. A first document defining the broad types of prohibitions commonly found in competition laws was sent to the Ministry of International Cooperation and to Mr Larry Brown of USAID/Cairo
Collect supporting documents on the legal context.	2	Documents were collected at the Library of Congress and law libraries in Washington DC. Two hard-to-find laws were sent by the Ministry of International Cooperation. A translation of the draft Unified Companies Law was received from USAID/Cairo.

¹¹ Status of activities as defined in the delivery order.

Collect documents on the structure, performance and ownership characteristics of Egyptian industries.	2	Documents were collected from CDIE, the World Bank and other research groups working in Egypt.
Review Draft Competition Law	3	Draft prepared under the auspices of the Ministry of International Cooperation received October 12th 1995.
Trip to Egypt by G. Korsun to facilitate start-up of project.	1	Dr. Korsun met counterparts in Cairo and discussed steps and activities to be pursued in implementing project.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Provide comments on current draft of competition law.	11/25/95	IRIS
Trip to Egypt by S. Buckley, A. Gavil and G. Korsun to continue data and information collecting, and research implementation issues.	12/11/95	IRIS
Begin selection of 3 to 5 industries for joint studies. The purpose is to catalog a broad range of existing or potential cases of monopolization and anticompetitive business practices in Egypt.	1/30/96	IRIS
Determine methodology and data needs for industry studies.	1/30/96	IRIS
Prepare a second list of policy questions for Egyptian law-drafting team.	1/15/96	IRIS

B. Project Administration

Activities Planned for Reporting Quarter	Current Status	Explanations
Prepare work-plan for first 6 months of project.	1	sent to USAID/Cairo in August.
Arrange travel of G. Korsun to Cairo	1	trip completed 9/28/95

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Arrange travel for IRIS team	11/25/95	IRIS

3. Other problems/issues and intended steps toward resolution:

None.

III. FINANCIAL DATA

Please see attached.

IV. ATTACHMENTS

None.

Quarterly Field Report: IRIS-INDIA

I. ADMINISTRATIVE DATA

Reporting Period: July 1, 1995 - September 30, 1995

BOA Number: ANE-0015-1019-00

Delivery order Number: 13

AID Project Office: G/EG/EIR (O. Koropeczky, 522 SA-2)

AID Office funding delivery order: G/EG/EIR

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

- A. Project Purpose: The objective of this program is to increase the understanding and awareness of the institutional aspects of economic issues in India and to generate a better knowledge base for decisions about economic policy. This will be achieved by carrying out (i) a policy analysis program, (ii) an Indo-American scholarly exchange program, (iii) conferences, and (iv) publications. The policy analysis program examines the current institutional framework in India, explores whether this framework constrains the economic liberalization process and determines whether there is a need for reform. IRIS will disseminate the results of policy analysis to the research community, to politicians and government officials, to the media and the public in India through conferences and publications.
- B. Relationship to USAID Program Strategy: The USAID program strategy in India is to help India make progress towards sustainable development by focusing on three primary program objectives: accelerating broad-based economic growth, stabilizing population growth, and protecting the environment. IRIS activities in India--as a part of the Mission's Technical Assistance and Support Project (TASP)--contribute to Mission objectives, especially to the objective of accelerating broad-based economic growth by providing economic policy analysis results and advocacy to increase the competitiveness of the Indian economy and to improve the financial and regulatory environment.

- C. Progress toward Project Purpose during the Reporting Period: The purpose of this project, namely increasing the understanding and awareness of the role of institutions in economic development in India and generating a better knowledge base for decisions about economic policy, has been furthered during the reporting period. IRIS, in collaboration with NIPFP, solicited new policy analysis proposals throughout India and the United States. IRIS received over 240 proposals from Indian and American scholars. Of these, the IRIS-NIPFP Review Committee selected the 23 best ones for funding. The committee members evaluated the proposals with respect to the following criteria: (i) the relevance of the proposed study to the Indian policy dialogue and economic reforms, (ii) the connection to the theme of the program; ability to illuminate institutional, political economy, and collective action issues, and (iii) the quality of scholar(s) and proposal. After the selection of proposals, IRIS negotiated the budgets and entered into written contracts with scholars.

In addition to the solicitation of proposals, IRIS started commissioning additional policy papers from scholars. 11 additional policy papers were commissioned during the quarter from leading scholars in the field of collective choice and new institutional economics. These include Pranab Bardhan, who will explore the institutional impediments to development that are outcomes of distributive conflicts and the collective action problems that they exacerbate in India; Joel Mokyr, who will study the economic and political roots of technological inertia; and Edward Montgomery, who will carry out a comparative study of the impact of affirmative action and reservations in the American and Indian labor markets on economic development.

The IRIS/India Working Paper Series was also launched during the quarter. The best sponsored policy papers are published in the series. Seven policy papers were brought out during the quarter. These published papers explore, among other things, Indian income tax enforcement, the political economy of Indian fiscal federalism, and the regulation and reform of the financial sector in India. Further papers will be published in the next quarter.

A lot of effort was expended on and progress made in the planning and organization of upcoming Distinguished Speaker Conferences during the quarter. The first one of these events is scheduled to be held in New Delhi on November 16, 1995. The second one will consist of a series of three conferences to be held in India in January 1996: the first one of them will be in New Delhi on January 9-10, the second one in Madras on January 12-13, and the third one in Calcutta on January 15-16.

Also, plans for the launching of the Indo-American Exchange Program were finalized and seminars scheduled for the next quarter.

Finally, on September 27, 1995 IRIS, jointly with Worldnet TV, organized a tele-video conference on "The Impact of Democracy on India's Economic Growth" between Washington DC, New Delhi, and Calcutta. The purpose of the conference was to discuss the question of whether democracy furthers or hinders economic reform and development. Professor Mancur Olson, Chairman of IRIS, and Professor Seymour Martin Lipset, a world renowned political scientist, were speakers in Washington DC. Dr. Montek Singh Ahluwalia, Finance Secretary of the GOI, and Mr. Gautam Adhikari, Executive Editor of the Times of India, were speaking in New Delhi, and Mr. Pramit Pal Chaudhuri, Assistant Editor of the Telegraph, and Mr. Avijit Mazumdar, Chairman of Til Ltd. in Calcutta. The events were exceptionally well attended in each venue and the discussion was lively. Indian media was also present and covered the event.

2. Progress report

A. Technical Implementation⁵

Activities Planned for Reporting Quarter	Current Status	Explanations
Review and Selection of Policy Analysis Proposals.	1	IRIS received over 240 proposals from scholars in India and the USA. The IRIS-NIPFP Review Committee selected the 23 best ones for funding. See Attachment I for the list of papers selected.
Contracting with Scholars	1	IRIS entered into written contracts with scholars whose proposals were selected for funding.
Commissioning of Additional Policy Papers.	2	See Attachment II for the list of additional policy papers commissioned by the end of the quarter.

⁵

Status of activities as defined in the delivery order.

Planning and Organization of IRIS Worldnet Tele-Video Conference	1	
Worldnet Tele-Video Conference on "The Impact of Democracy on India's Economic Growth."	1	IRIS, jointly with the Worldnet TV, organized on September 27, 1995 a tele-video conference between Washington, New Delhi, and Calcutta to discuss the relationship between democracy and economic growth and development. See Attachment III for a copy of the conference program.
Press release of the IRIS Worldnet Tele-Video conference.	1	See Attachment IV for a copy of the press release.
Press on the IRIS Worldnet Tele-Video Conference.	1	See Attachment V for copies of the press coverage.
Planning of Distinguished Speaker Conference to be held in New Delhi on November 16, 1995.	2	See Attachment VI for a summary of the status of IRIS conference plans in India.
Planning of Distinguished Speaker Conference Series to be held in New Delhi, Madras, and Calcutta in January 1996.	2	See Attachment VI for a summary of the status of IRIS conference plans in India.
Launching of Indo-American Scholarly Exchange Program.	3	The first seminar scheduled for October 1995.
Publishing Policy Papers in IRIS-India Working Paper Series.	2	See Attachment VII for the list and copies of IRIS sponsored policy papers published so far in the working paper series.
Book.	2	IRIS is editing the best policy papers and publishing them as a book.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Commissioning of Further Policy Papers.	12/95	IRIS and NIPFP
Brief Progress Reports from Scholars.	11/95	Scholars
Review of Brief Progress Reports.	11/95	IRIS
Organization and Marketing of Distinguished Speaker Conference to be held in New Delhi in November 1995.	11/95	IRIS, NIPFP, Genesis PR
Distinguished Speaker Conference on "The Art of Governance: The Political Economy of Development" on November 16, 1995 in New Delhi.	11/95	IRIS, NIPFP, Genesis PR
Planning of Distinguished Speaker Conference to be held in New Delhi, Madras and Calcutta in January 1995.	1/96	IRIS, NIPFP, Genesis PR
Launching of Indo-American Scholarly Exchange Program.	10/95	IRIS
Seminar on "Indian Fiscal Federalism: Constitutional Amendments and Possible Ramifications for Fiscal Reforms" by Dr. Parthasarathi Shome, Director of the National Institute of Public Finance and Policy (NIPFP), to be held on October 16, 1995 at IRIS, University of Maryland.	10/95	IRIS

Seminar on "The Role of Media in the Reform Process" by Mr. Gautam Adhikari, Executive Editor of the Times of India, to be held at the end of November 1995 at IRIS, University of Maryland.	12/95	IRIS
Publishing Policy Papers in IRIS-India Working Paper Series.	9/96	IRIS
Book.	1/96	IRIS, Scholars and Publisher

B. Project Administration

Activities Planned for Reporting Quarter	Current Status	Explanations
Subcontracting with Genesis PR.	1	Genesis PR, an Indian PR firm, started working for IRIS on July 10, 1995. Genesis PR is (i) organizing the press coverage of IRIS events in India, and (ii) helping with conference promotion, implementation, and follow-up.
Running of Policy Analysis Program.	2	Provision of intellectual and logistical support, responses to inquiries, negotiation and maintenance of contracts, financial monitoring etc.
Mailing out Rejection Letters for Unsuccessful Proposals.	1	
CDE Participation.	2	Discussions with Kaushik Basu and Jean Dreze of CDE participation in the program.
Preparation of IRIS/India Marketing Materials.	2	In progress.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed

(4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Running of Policy Analysis Program	9/96	IRIS, NIPFP
Travel of IRIS/India Project Director to New Delhi in November 1995.	11/95	IRIS
Preparation of IRIS/India Marketing Materials.	12/95	IRIS, Genesis PR
CDE Participation	12/95	IRIS

3. Other problems/issues and intended steps toward resolution:

None.

III. FINANCIAL DATA Please see attached.

IV. ATTACHMENTS

- Attachment I: List of Selected Proposals.
- Attachment II: List of Additional Policy Papers Commissioned
- Attachment III: Program for and Video of the IRIS Worldnet Tele-Video Conference
- Attachment IV: Press Release of IRIS Worldnet Tele-Video Conference
- Attachment V: Press on IRIS Worldnet Tele-Video Conference
- Attachment VI: Summary of Status of IRIS-NIPFP Conference Plans in India
- Attachment VII: List of IRIS/India Working Papers

ATTACHMENT I to the IRIS/India Quarterly Report for July-September 1995

List of Selected Proposals

IRIS/INDIA SCHOLARS

NAME OF SCHOLAR	TITLE OF PAPER
Pradeep Agrawal Indira Gandhi Institute of Development Research	Reforming Labor Policies in India: Lessons from Other Countries
Leslie Armijo Northeastern University Prem Shankar Jha Independent Journalist	Center-State Political Conflicts over Privatization and Foreign Investment: Electricity and Banking
Rekha Bandyopadhyay Centre for Applied Systems Analysis	Property Rights and Land Reform in India-- Policy Implications
Christopher Candland University of California, Berkeley	Indian Labor Institutions and Industrial Restructuring
Albert Danielsen Nainish Gupta University of Georgia	Organization and Incentives in the Electric Industry
Bhaskar Dutta Indian Statistical Institute	Fragmentation in Indian Legislatures
Mukesh Eswaran University of British Columbia	The Link Between Child Labor and Population Growth in India
Ira Gang Rutgers University	Trade Protection in India: Economics vs. Politics?
Chandrika Gulati University of Delhi	Panchayati Raj in India: Problems and Prospects
Ashok Gulati NCAER	Liberalization and Agricultural Parastatals: Case of Cotton Corporation of India and Maharashtra federation
Jayoti Gupta Centre for Studies in Social Sciences, Calcutta	Women--Second in the Land Agenda
Gautam Gupta Manas Ranjan Gupta Jadavpur University, Calcutta	Restructuring of Employment and the Voluntary Retirement Scheme in the Public Sector: A Policy Analysis for India

Anand Gupta Indian Institute of Management, Ahmedabad	Turning India Toward Privatization
Kala Krishna Paul Jensen Pennsylvania State University	The Welfare Implications of India's Policy Reform: The Liberalization of the Automobile Industry
Tapas Majumdar Jawaharlal Nehru University	Evaluation of Efficiency and Equity of Public Investment in Education in Different Indian States
S.M. Mundinamani University of Agricultural Sciences, Dharwad	A Probe into the Impact of Market Intervention by Co-Operative Parastatal on the Oilseeds Economy in Karnataka
Kaivan Munshi Institute of Economic Development, Boston University	A Study of Sugar Cooperatives in Western India
Alan Richards Nirvikar Singh University of California at Santa Cruz	Water and Federalism: India's Institutions Governing Inter-State River Water
Atul Sarma Indian Statistical Institute	Analysis of Privatization and Deregulation of India
Chandresh Shastri	Developing Agro-industrial Sector in UP
E. Sridharan Center for Policy Research	Towards Collective Action for State Funding of Elections
P.V. Srinivasan Indira Gandhi Institute of Development Research	Regional Poverty and Access to Public Services in Rural India
Subitha Subramaniam Duke University	Improving Income Tax Policy and Administration in India: The Need for Institutional Reform

ATTACHMENT II to the IRIS/India Quarterly Report for July-September 1995

List of Additional Policy Papers Commissioned

ADDITIONAL COMMISSIONED POLICY ANALYSIS PAPERS

SCHOLARS	TITLE
Robert Cooter, University of California, Berkeley, School of Law	Market Mobilization
Bradford De Long, University of California, Berkeley	Overstrong Against Thymself
Oliver Williamson, University of California, Berkeley	Transaction Cost Economics and Public Policy: In General and With Applications to India
Pranab Bardhan, University of California, Berkeley	The Nature of Institutional Impediments to Economic Development
Edward Montgomery, University of Maryland	Affirmative Action and Reservations in the American and Indian Labor Markets: Are They Really That Bad?
Axel Leijonhufvud, University of California, Los Angeles	Development from a Division of Labor Perspective
Erik Moberg, Moberg's Publications, Inc., Sweden	Economic Performance: Two Strands of Institutional Theory and the Case of Sweden
Joel Mokyr, Northwestern University	Innovation and Its Enemies: The Economic and Political Roots of Technological Inertia
Brian Fikkert, University of Maryland	The Cost of Regulation: Evidence for the Industrial Sector
Anand Swamy, University of Maryland	Cooperation, Conflict and Economic Development in India

S.N. Gajanan, University of Pittsburgh at Bradford	Informal Credit Agencies: Some Unexplored Issues
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ATTACHMENT III to the IRIS/India Quarterly Report for July-September 1995

Program for and Video of IRIS Worldnet Tele-Video Conference

NOT AVAILABLE IN ELECTRONIC FORMAT

ATTACHMENT IV to the IRIS/India Quarterly Report for July-September 1995

Press Release of IRIS Worldnet Tele-Video Conference

NOT AVAILABLE IN ELECTRONIC FORMAT

ATTACHMENT V to the IRIS/India Quarterly Report for July-September 1995

Press on IRIS Worldnet Tele-Video Conference

NOT AVAILABLE IN ELECTRONIC FORMAT

ATTACHMENT VI to the IRIS/India Quarterly Report for July-September 1995

IRIS-NIPFP Conference Plans in India

NOT AVAILABLE IN ELECTRONIC FORMAT

ATTACHMENT VII to the Quarterly Report for July-September 1995

List of IRIS India Working Papers

NOT AVAILABLE IN ELECTRONIC FORMAT

Quarterly Field Report: Mongolia

I. ADMINISTRATIVE DATA

Reporting Period: July 1 - September 30, 1995

BOA Number: ANE-0015-B-00-1019-00

Delivery order Number: 10

AID Project Office: G/EG/EIR (O. Koropeccky, 522 SA-2)

AID Office funding delivery order: G/EG/EIR

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

- A. The project endeavors to strengthen the capacity of key Mongolian decision makers from all spheres of the country's economic life to design and implement institutional reforms during the country's transition to a market economy. To accomplish this purpose a series of workshops and follow-up activities will address topical policy issues and present both general background materials and discussions of specific policy options for development and implementation.
- B. The USAID Program Strategy in Mongolia emphasizes encouragement and strengthening of the process of democratization and the promotion of economic growth. The project actively promotes these broad goals in the following ways. The workshops target a broad spectrum of Mongolians in order both to enable individuals from different sectors to better understand and articulate concerns and to enhance policy discussion and its results. The topical policy issues and corresponding points of institutional reform involve ingredients crucial to economic growth.
- C. Following a direction of effort established by a workshop in the previous quarter, another "mini-workshop" was held primarily for journalists outside Ulaanbaatar. Like the previous endeavor, this smaller-scale activity embodied the major purpose of the project, namely "strengthening capacity of Mongolian decision-makers", by assisting journalists to evaluate and describe economic issues in terms relevant to a market economy.

A survey of past participants was undertaken in the quarter under review in order to evaluate the impact of past workshops. Over one hundred and fifty surveys were sent out to Mongolians who attended workshops in

either the current project or its predecessor. Over seventy responses had been received and translated into English by the end of the quarter. A draft summary of results compiled so far is attached as Appendix 1.

Preparation for several up-coming activities was continued in the quarter under review. The last workshop in the series, covering the topic "Enterprise Restructuring and the Institutions of Corporate Governance", is currently scheduled for January, 1996. In response to a request made by participants of the workshop on environmental economics, a trip will be made by Georges Korsun, Project Director, and an expert consultant, Anne Forrest, an economist with the Environmental Law Institute, in October. They will work with a group of Mongolians who have been charged by the Ministry of Nature and Environment with writing implementing regulations for a newly-enacted Law on Air Quality. The assistance will focus on the use of market-based incentives to promote environmental improvements.

2. Progress report

A. Technical Implementation⁵

Activities Planned for Reporting Quarter	Current Status	Explanations (Problems, steps to resolve, etc.)
Design and prepare for sixth workshop on corporate governance.	2	A working group is being created to identify Mongolia-specific policy issues on restructuring and corporate governance to inform the design of the workshop curriculum.
Solicit Advisory Council for approval of the working group membership.	2	The working group will prepare pre-workshop materials, attend the workshop, and prepare a post-workshop policy paper as a group.
Research/Workshop development trip to Mongolia by IRIS-College Park staff responsible for sixth workshop.	2	Georges Korsun will combine workshop preparatory activities with follow-up work on air quality regulations in the trip planned for October.

¹ Status of activities as defined in the delivery order.

Translation and compilation of laws and documents relevant to the sixth workshop, Ulaanbaatar.	2	Copies of these documents will be available upon request in Ulaanbaatar and in College Park.
Conduct follow-up technical assistance on training relevant to insurance law and regulatory framework.	4	Suitable experts in insurance regulation were not available within the time constraints of the project. The new Minister of Finance has assigned a lower priority to this activity for the moment.
Conduct follow-up technical assistance on market-based incentives in air quality regulations.	2	A trip by Georges Korsun and Anne Forest is planned for late October - early November. James Anderson has already laid necessary groundwork with a Mongolian working group.
Conduct follow-up technical assistance arising from the fifth workshop on economics for the media.	1	James Anderson travelled to the Hentii Aimag and conducted a two-day seminar on economic principles for 24 journalists. The seminar was co-sponsored by the Mongolian Press Institute.
Survey evaluating past workshops administered to over 150 participants. Responses translated, quantitative results tabulated, and qualitative results summarized.	2	Draft report summarizing responses received to date attached as Appendix 1.
Development of follow-up technical assistance on market-based incentives in air quality regulations.	2	James Anderson and Georges Korsun are working with Anne Forrest, economist with the Environmental Law Institute in Washington, D.C., to assist a regulatory working group in writing air quality regulations.
Articles referencing comments made in the media workshop published in "Government News", a newspaper of the Mongolian Government, and "Labor" an newsletter of the Association of Trade Unions.	1	James Anderson, Peter Murrell, and Cynthia Clement granted interviews to workshop participants.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Design and prepare for sixth workshop on corporate governance.	1/31/96	IRIS/College Park; IRIS/Mongolia
Solicit Advisory Council members for suggestion about participants for sixth workshop.	11/30/95	Advisory Council; IRIS-Mongolia
Research/Workshop development trip to Mongolia by IRIS-College Park staff responsible for sixth workshop.	11/30/95	IRIS-College Park
Conduct follow-up technical assistance on market based incentives in air quality regulations.	11/30/95	IRIS-Mongolia (coordinate with Mongolian counterparts); IRIS-College Park (coordinate with consultant)
Incorporate any additional responses to participant survey into final report and forward to the USAID Representative in Mongolia.	12/31/95	IRIS-Mongolia

B. Project Administration

Activities Planned for Reporting Quarter	Current Status	Explanations
Assist USAID/MONGOLIA by serving on scholarship review panel and assisting the Institute of International Education in recommending appropriate courses of study for the scholarship winners.	1	James Anderson performed this work in July and August.
Submit proposal for additional technical assistance after completion of the current buy-in, at the request of the USAID Mission Representative.	1	Proposal was reviewed by USAID/Mongolia but no final decision has been taken because of budget contingencies.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Travel to Beijing for the acquisition of supplies.	12/30/95	IRIS-Mongolia
Submit revised proposal for additional technical assistance after completion of the current buy-in.	12/1/95	IRIS-College Park and Mongolia Staff.

3. Other problems/issues and intended steps toward resolution. None.

III. FINANCIAL DATA

NOT INCLUDED IN ELECTRONIC FORMAT.

Quarterly Field Report: Morocco

I. ADMINISTRATIVE DATA

Reporting Period: July - September 1995

BOA Number: ANE-0015-B-00-1019-00

Delivery Order Number: 19

AID Project Office: USAID/Morocco, Office of Program and Democratic Initiatives

AID Office funding delivery order: USAID/Morocco

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

- A. Project Purpose: This project is designed to assist the Government of Morocco in identifying current legal and institutional problems in competition and consumer protection, and to chart out medium and short-term programs of action to further enhance competition and consumer protection objectives for the Moroccan market.
- B. Relationship to USAID Program Strategy: The USAID/Morocco Program Strategy supports the reforms and structural adjustment programs undertaken by the Government of Morocco (GoM) to reduce the government's role in the economy and introduce efficient market-oriented institutions. This project focuses on strengthening competition in the market, and promotes the USAID goals in the following ways. The analysis of the legal and regulatory environment and the review of the draft competition laws supports the efforts of the law drafters to design an enforceable and implementable competition law. Through seminars on competition policies and regulations, the project also aims to expose policy makers, government officials and representatives of the private sector to the experience of other transition economies and to increase their understanding of the current state of the competition and consumer protection regimes in Morocco.
- C. Progress toward Project Purpose during the Reporting Period: An interim report containing the findings from the May trip to Morocco and the comments to the July draft of the competition law was prepared. Georges Korsun and William Kovacic travelled to Rabat in September to complete the activities begun during their first trip. They reviewed the most recent draft with the drafting team and discussed the recommended changes that had been made, as well as those that had not been incorporated. The IRIS team also

met with representatives from the public and private sectors and the legal community to continue collecting information on industry structure, role and capacities of public and private entities, and mechanisms to enforce the competition regime.

2. Progress report

A. Technical Implementation⁵

Activities Planned for Reporting Quarter	Current Status	Explanations
Prepare interim report.	1	The report discussed information collected during May trip to Morocco and included comments on July draft of competition law.
Trip to Morocco by G. Korsun and W. Kovacic.	1	Discussed latest draft competition law discussed. Met with representatives from public and private sectors and legal community to continue collecting information needed to design an effective and enforceable competition regime.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

⁵ Status of activities as defined in the delivery order.

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Provide comments on current draft of competition law.	11/1/95	IRIS
Trip to Morocco by G. Korsun and W. Kovacic to conduct seminar.	11/12/95	IRIS
Prepare Final Report.	11/30/95	IRIS

B. Project Administration

Activities Planned for Reporting Quarter	Current Status	Explanations
Arrange travel of G. Korsun and W. Kovacic to Rabat.	1	trip completed 9/23/95

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Arrange travel for G. Korsun and W. Kovacic.	11/7/95	IRIS
Prepare proposal for technical assistance in implementing competition law, at the request of the USAID/Morocco.	11/30/95	IRIS

3. Other problems/issues and intended steps toward resolution:

None.

III. FINANCIAL DATA

Please see attached.

IV. ATTACHMENTS

None.

Quarterly Field Report: NEPAL

I. ADMINISTRATIVE DATA

Reporting Period: July 1, 1995 - Sept. 30, 1995

BOA Number: ANE-0015B-00-1019-00

Delivery Order Number: 367-0161

AID Project Office: G/EG/EIR

AID Office funding delivery order: G/EG/EIR

AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

A. **Project Purpose:** To help the Government of Nepal formulate and implement policies that support a pro-market, private sector led economy by providing financial and technical assistance, identifying policy changes and institutional reforms to be implemented in the judicial and regulatory areas, and to assist in the development of women owned small and microenterprise through business promotion and policy reform.

B. **Relationship to USAID Program Strategy:** The USAID program strategy in Nepal is to help the economy enter a new era of economic upliftment by promoting small and micro-enterprises and creating a favorable policy environment through private sector driven market reform. IRIS activities in Nepal contribute to Mission objectives by assisting with expertise on policy reform initiatives conducive to the growth of the private sector and promotional measures geared towards strengthening enterprises owned by rural women. IRIS's assistance on institutional and regulatory reform is especially helpful for small and micro enterprises which are crucial to the success of any poverty alleviation and economic empowerment scheme.

C. Progress towards Project Purpose:

The past quarter saw many changes in IRIS/Nepal's program activities. The change in USAID/Nepal's country strategy and mission objectives away from policy reform work and more towards women owned small and micro enterprise creation coupled with the political instability within the government has meant that IRIS/Nepal's macro level policy work had to be scaled down. Instead, with the signing of the new IRIS-V contract in August 1995, for assisting women owned small and micro-enterprises through business promotion and creation of a conducive business environment, IRIS/Nepal has been heavily involved in start-up of new activities such as micro-credit programs, business consultancy and education for women owned rural based

micro-enterprise activities, and assistance to women based business organizations. These programs have already benefitted more than 100 women through increased business sales and credit access.

In addition, IRIS has been working actively in advocating policy reform for creation of a favorable environment for small businesses to prosper. At the Government's request, IRIS completed a study on the implications of removing a fixed capital investment of Rs. 20 million for foreign investment which effectively shut out investments in the small and medium scale sector. Government has already announced in the budget statement (October '95) that it shall be removing this requirement and shall be tabling the amendment in the coming Parliament session. Similarly, IRIS is also reviewing difficulties in export procedures being faced by small scale exporters. Recommendations are being made on reducing the transaction costs especially for smaller businesspeople which is inhibiting the entry of new exporters.

As part of the advocacy work for policy environment reform, IRIS has been lobbying with the government for changes in the company law, contract law and consumer protection legislations. IRIS/Nepal has also been reviewing an appropriate legal framework for establishment and monitoring of rural credit delivery organizations such as the Cooperative Act and the Development Bank Act.

The past quarter has been a transitional period not just in terms of the project activities, but also the people involved in the project. Neal Cohen, the Project Officer for Economic Liberalization Project left for USAID/Nairobi and has been replaced by Carol Carolus. As part of the USAID reengineering efforts and shifting away from project concept to a Strategic Objective basis, Jane Nandy, the General Development Officer in charge of the Strategic Objective 3 (Empowerment of Women), will be overseeing the IRIS project from USAID/Nepal. Praveen Dixit, the IRIS representative in Nepal for the past three years completed his term and returned to Washington in August. A new country director, Betty Wilkinson shall be arriving in Kathmandu shortly to replace him. In addition, IRIS office has also hired a new Program Assistant, Naina Rana, given the project's expanded scope of activities.

The political scenario in the country has also changed considerably. The minority government formed by the Communists after the last elections in November was voted out of power by the two other largest parties, the Nepali Congress and the Rastriya Prajatantra Party. After a landmark decision by the Supreme Court overruling the Prime Minister's call for midterm elections in November '95, the latter two parties formed a coalition government in September. The advocacy role being performed by the IRIS office has been affected with these changes.

As part of the IRIS mandate to function as a Secretariat to the Economic Liberalization Project, IRIS has been involved in providing support to the project approval committees. As per the project agreement, a new committee

representing the small, micro and women organizations is in the process of being formed. Similarly, with the change in the government, the policy dialogue committee also needs to be reconstituted once the concerned officials are appointed. While a 16 month workplan for IRIS/Nepal has already been drafted, based on the suggestions/requirements of these new committees, other program activities may be introduced in the coming year.

2. Progress Report

A. Technical Implementation

Activities Planned for Reporting Quarter	Current Status	Explanations
Review problems on policies and procedure for exports of small business	2	Second draft of study submitted. Comments to be received from the Government.
Review implications of minimum investment requirements for foreign investment	1	Final draft of study submitted. Mentioned in FY 95/96 Budget. Amendment to be tabled in the coming winter session of Parliament.
BOT legislation preparation	3	Discussions being held with USAID and the new Government on the likelihood of continuation of this activity.
Consumer Protection Act advocacy	2	Planned workshop, in conjunction with Ministry of Supplies, to sort out technical details on the legislation being discussed with the Ministry of Supplies in preparation for the winter session of Parliament.
Contract Law completion	2	Final draft of legislation in Nepali, incorporating Mahoney's comments from Nepal Law Society received; awaiting English version; discussing a possible workshop in conjunction with the Ministry of Industry for Parliamentarians in preparation of the winter Parliament session.

Grameen Banks/NGO's	2	Training programs underway with CSD and Nirdhan for various staff and bank clientele. Discussing proposals for providing consultancy on their financial and accounting systems.
Assistance to Nepal Stock Exchange	2	IRIS consultant Ravi Peiris undertook a follow-up visit to Nepal to review the progress made with respect to the recommendations proposed by IRIS last year; awaiting final report
Assistance to Securities Exchange Board (SEBON)	3	Proposal for educating the public about the capital market postponed owing to uncertainty of USAID's involvement in this area.
Janakpur Women's Development Centre	2	Contract signed for providing sixteen months of support for management consultancy, lieteracy training and staff training support for insitutional strengthening of the organization.
Management Consultancy to JWDC	2	Proposals are being invited from local consultancy firms to provide JWDC with consultancy service for their insitutional development and business strengthening activities.
Marketing and Product Development Support to JWDC	2	Claire Burkett, the IRIS consultant shall spend a total of 6 months assisting JWDC member producers with product development/design and marketing their products to national and international markets.
Business Consultancy Service, Eastern Nepal	2	IRIS consultants Surendra Shahi following up with producers in various parts of Eastern Nepal; purchase orders being received by the producers frequently.
Business Consultancy Service, Central Nepal	2	IRIS consultant Reeta Simha following up with producers in various parts of Eastern Nepal; purchase orders being received by the producers frequently.

Business Consultancy Service, Mid-Western Region	2	IRIS consultant, Renchin Yonjan visited Birendranagar/Surkhet and conducted a Producers' meet in conjunction with a local NGO. Various products/producer groups have been identified for product development and market linkage activities.
Business Literacy Program	2	Final contract negotiation is underway with Small Business Promotion Project, who has been selected as the institution through competitive bidding to implement this program.
Radio Program "Udyog Bebashaya"	2	One year contract has been signed between IRIS and CDC (Centre for Development Communications) to conduct a weekly radio program focussing on disseminating business and policy information to rural based micro-entrepreneurs.
Newsletter	2	Two newsletters (attached) on the Business Consultancy Program and Foreign Investment issues completed. Newsletter content and format to be changed from the next issue onwards to reflect more of the project activities and to be published in English.
Formation of Small, Micro, Women Committee	2	Action on the formation of the SMW committee being discussed with USAID and government.

Current Status Key:

- (1) Action completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
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Completion of Contract Law and proposal preparation for workshop for MPs	October 1995	Nepal Law Society
Proposal for holding a workshop for MP's on Company Law and Consumer Protection Law	December 1995	Nepal Law Society and Integrated Development Management Associates
Assistance to Nepal Stock Exchange	October 1995	Ravi Peiris
Studying the feasibility of introducing BOT projects in Nepal	not definite	National Planning Commission
Review the legal framework for rural credit delivery mechanisms	December 1995	Nepal Rastra Bank
Review problems on procedure with one window system	December 1995	Ministry of Industry
TOR preparation and contract finalization for assistance to Women Entrepreneur Association of Nepal (WEAN), and Association of Nepal Cottage and Small Industry (ANCSI)	October 1995	IRIS/Nepal
Project Newsletter	Monthly	IRIS/Nepal
TOR preparation and contract finalization on Business Consultancy Service to Eastern and Western Nepal	November 1995	IRIS/Nepal
TOR preparation and contract finalization for consultancy to rural credit organizations in reviewing their financial and accounting systems	November 1995	IRIS/Nepal
Preparations for holding a micro-credit conference	December 1995	IRIS/Nepal
Study mission to Japan on small industries development	November 1995	IRIS/N & ANCSI

B. Project Administration

Activities Planned for Reporting Quarter	Current Status	Explanation
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ELP Committees Secretariat Support	2	IRIS continuing with business development and Secretariat support activities and formation of a new committee
Hire program assistant	1	Naina Rana

Activities Planned for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Install new phone line and system	October 1995	IRIS/Nepal
Purchase 2 PCs and 2 printers	October 1995	IRIS/Nepal
Purchase air conditioner, fridge, and battery back-up	November 1995	IRIS/Nepal

Current Status Key:

- (1) Action completed
- (2) Action in process
- (3) Action delayed
- (4) Action canceled

3. Outstanding problems and issues and intended steps toward resolution:

Currently no outstanding problems.

Quarterly Field Report: Russia Commercial Law Project

I. ADMINISTRATIVE DATA

Reporting Period: July 1, 1995 - September 30, 1995
BOA Number: ANE-0015-B-00-1019-00
Delivery Order Number: 12
AID Project Office: G/EG/EIR (O. Koropeccky, 522 SA-2)
AID Office funding delivery order: Democracy and Governance
AID Office project: Institutional Reform and the Informal Sector (IRIS) Project

II. PERFORMANCE INFORMATION

1. Project purpose summary statement:

A. Project Purpose

The objective of the IRIS-Russia Project's Commercial Law Reform Initiative is to assist and train Russian law makers, judges, and legal practitioners at the Federation level as they develop the components of a commercial law regime essential for Russia's transition to a market economy. Specifically, IRIS-Russia is concentrating its efforts in the following areas:

- 1) Collaboration with the drafters of the new *Russian Civil Code*.
- 2) Examination and implementation of measures necessary to develop a system of *secured commercial lending*.
- 3) Translation and dissemination of the United States *Uniform Commercial Code*.
- 4) Sponsorship of *forums* on the legal, institutional, and economic foundations of *commercial law*.
- 5) *Training of judges* in commercial law, market economics, civil procedure, and court administration.

B. Relationship to USAID Program Strategy

The IRIS approach in Russia is similar to its approach in other countries, namely, to strengthen indigenous capacity to understand and carry out needed legal reforms. Therefore, the assistance provided will not only be directed toward crafting legislation, but will also emphasize the broader economic and market principles that form

the foundation of an effective commercial law regime. Additionally, IRIS will encourage Russian policy makers and draftsmen to open the legislative process to include input and discussion from private sector groups most affected by the laws. Finally, IRIS recognizes the critical role Western advisors play in the reform process. They should not, however, attempt to dictate the reform agenda or take the place of Russian draftsmen. Therefore the foreign assistance component of Russian legal reform should be less and less visible as local experts and political leaders lead and complete the process. IRIS will provide policy makers with the tools necessary to accomplish this task.

C. Progress toward Project Purpose

i. *Civil Code.*

On 01 January 1995, Part I of Russia's new Civil Code went into effect. Identified by President Yeltsin as the "economic constitution of the Russian Federation," the Code establishes fundamental principles of civil and commercial law. Part I contains the general provisions of civil law, including sections on corporations, property rights, contracts, and secured transactions.

Although not a cure-all to Russia's economic problems, this commercially modern Civil Code is a major advance in Russian reform efforts. It replaces the Brezhnev era Code of 1964, designed for an administrative-command system, and also wipes away the ill-designed patchwork of laws and decrees that had been laid on top of the Soviet era legal system.

The new Code makes fundamental breaks with past Soviet and Russian legislation by effectively guaranteeing both freedom of contract and protection of private property. In addition, the Code promotes commercial lending to small and medium-sized enterprises by instituting a faster, more efficient, and cost-effective system of debt recovery -- a significant improvement over the current Russian Law on Pledge of 1992. The Code will also serve as a sword against the proliferation of financial crimes that is undermining society's confidence in the market.

Drafting of the Code, coordinated by President Yeltsin's Research Center for Private Law, was accomplished with the assistance of foreign legal experts from the United States and Europe. The USAID-funded IRIS Center has provided continuous expert advice to the Research Center, prompting greater openness and participation throughout the drafting process. This was accomplished in several ways: 1) copies of the draft were circulated among Russian

and Western legal communities; 2) visiting Western commercial law experts held sessions not only with the drafters but conducted talks and lectures on issues raised in the text with groups of officials, judges, lawyers, and business people; and 3) briefings by the RCPL and IRIS were organized for similar groups. Efforts to implement the new law have been promoted through activities such as the EBRD/IRIS/Supreme Arbitration Court Conference on Secured Commercial Lending. This event targeted practical aspects of using the new Code for an audience of judges, lawyers, businesses, and parliamentarians.

With the introduction of Part I, the Research Center and IRIS are now directing their attention to the second and third parts of the Code. On September 5, 1995, the Civil Code drafting Commission presented Part II of the Code to the President's administration. Barring unforeseen delays, President Yeltsin will submit Part II to the State Duma in October 1995, whereas the Duma is expected to begin reviewing immediately thereafter and hopes to enact it before the parliamentary elections at the end of the year. Part II expands on Part I and will contain an extensive section on individual types of obligations (specialty contracts), covering such areas as sales and purchase, banking transactions, residential and commercial lease, agency contracts, franchising, personal injury (torts) and many others. Part III, which is expected to be submitted to the State Duma early next year, will cover: (i) inheritance law; (ii) intellectual property law; and (iii) private international law.

During the reporting period, and as a follow up of the series of workshops on selected chapters of Parts II and III in May 1995, IRIS forwarded to the Research Center for Private Law written observations on the Code chapter on insurance, submitted by Professor Ken Syverud, University of Michigan Law School, who led the May 1995 insurance workshop.

On September 14, 1995, IRIS and the Research Center for Private Law organized a separate working session on Chapter 54 on Commercial Concession (franchising) of the final draft of Part II of the Code. The working session was conducted in cooperation with Sibley International, a highly specialized consulting firm currently working on a USAID funded initiative in Russia to assist the privatization process through franchising in Russia and led by Philip. F. Zeidman, senior partner of the Washington based law firm Brownstein, Zeidman and Lore, which is Sibley International's legal advisor in this initiative. The working session expanded on written commentaries on the draft text submitted by Brownstein, Zeidman

and Lore to IRIS and the Research Center for Private Law in August 1995.

IRIS, the Research Center for Private Law and Sibley International targeted this specific issue because it introduces a completely new set of rules. The concept of marketing goods and services under the same trademark or trade name through a widespread network of similar, yet economically independent outlets, was previously unknown in the Russian Federation. The working session was scheduled at an opportune time as it will assist the drafters in revising and fine tuning the text now that the President's administration is reviewing the draft of Part II prior to submitting it to the State Duma for consideration this fall.

ii. *Secured Commercial Lending.*

In market economies, the institutional framework of clear laws, fast and inexpensive self-enforcement procedures--supported by the judicial system--and collateral or property registries creates an environment conducive to lending. To date, these elements are not yet fully operational in Russia.

The lack of modern commercial banking systems in Russia is one of the principal impediments to further economic development in the region. The unwillingness of commercial banks to extend credit to local firms is due less to their fears of inflation than to fears they will not be repaid. Therefore, the ability particularly of small and medium size enterprises (SMEs) to borrow in order to expand their businesses will not improve substantially even when inflation is eventually brought under control. The creation of legal and institutional mechanisms to ensure credit repayment is thus one of the most important reform initiatives in the transitional process.

Among the legal and institutional prerequisites for a viable system of commercial lending are an effective law on secured transactions and easily accessible property registries. IRIS has worked with the drafters of the Civil Code to incorporate an improved collateral law into the new Code. However, the Russian government has paid little attention to registration issues, except in the area of real property.

In order to focus greater attention on the existing barriers to financial lending, IRIS co-sponsored an International Conference on Secured Commercial Lending in the CIS on November 4-5, held in Moscow at the Supreme Arbitration Court of the RF. Additional sponsors included the European Bank for Reconstruction and

Development, the Inter-Parliamentary Assembly of the Commonwealth of Independent States, the Supreme Arbitration Court of the Russian Federation, the Scientific Consulting Center for Private Law of the CIS and USAID.

The Conference targeted both law makers who are drafting legislation on pledge, property registries, and financial institutions, and the bankers who must make the ultimate decisions of whether to lend. During the morning session of Day One, Conference speakers reviewed secured lending laws and practice in Russia, the CIS, and western market economies. In the afternoon, panelists discussed specific elements of secured transactions, such as property, enforcement, insolvency, and registration. On Day Two, the audience participated in analyzing a hypothetical secured transactions deal.

The Conference was a huge success, attracting almost 200 people from over 90 organizations, including banks, law firms, businesses, the government, legislature, and judiciary. Delegates from fourteen different countries attended, including the United States, Great Britain, Norway, Germany, Poland, Lithuania, and Russia. CIS countries represented, in addition to Russia, included Ukraine, Belarus, Georgia, Moldova, Azerbaijan, Kazakhstan, and Uzbekistan.

Among the speakers were the First Deputy Chairman of the Supreme Arbitration Court, the Deputy Chairman of the Federal Bankruptcy Agency, the President of Citibank-Moscow, the General Counsel of the EBRD, the Director of IRIS, the managing partners of leading western law firms in Russia, law professors from Columbia and Michigan Universities, and the Executive Director of the International Bank of Japan. Mikhail Mityukov, the First Deputy Chairman of the State Duma, delivered the Keynote Address on the parliament's role in Russian legal reform.

During the reporting period, the conference proceedings were published by the EBRD and IRIS in English and Russian and disseminated to all conference participants and other interested Russian and foreign institutes and organizations.

iii. *Uniform Commercial Code.*

Enhanced access to information on commercial law in market economies is essential to increase the understanding of Russian law makers, private attorneys, judges, teachers, and students. Recognizing this fact, the Research Center of Private Law has initiated a project to translate and publish the civil and commercial

codes of major European countries and the United States. IRIS and the Research Center are working together to translate, publish, and disseminate the United States Uniform Commercial Code (UCC). A Russian version of the UCC was published in the USSR in the 1960s, but the American Code has changed significantly since then, thus necessitating a revised edition.

IRIS and the Research Center selected editors and translators to update the Russian-language UCC. The editor, a prominent Russian judge, was one of the original translators of the 1960s edition. During the reporting period, the majority of the translation was completed. The text will be edited and published in December 1995. The final product will include introductions by Professors Robert Summers and James White, authors of the most widely used hornbook on American commercial law, and by the Russian editor.

Furthermore, IRIS and the Research plan to develop a commentary section tailored to the Russian legal tradition. This commentary, which will include official comments from the UCC, will help Russians interpret their new Civil Code, just as annotations to the UCC assist the American legal community in understanding its commercial code.

iv. Forums on Commercial Law and Economics

Russians recognize the importance of the economic underpinnings and incentive structure that a commercial law regime should reflect. In order to enhance this understanding, the IRIS Center, in cooperation with assorted Russian institutions, has organized an on-going program of workshops, seminars, and lectures on the concepts central to the establishment of an effective commercial law system, including commercial law and practice, market economics, and the rule of law.

Specifically, IRIS has sponsored a lecture at the High Arbitration Court on American perspectives on the draft Russian Civil Code by Professors Summers and White. IRIS has also run seminars for both faculty and students at Moscow State University Law School on banking and securities law, on legal developments for Peace Corps volunteers, and on collateral law for Russian credit officers. Additionally, IRIS representatives have delivered speeches on topics such as law reform, contract performance, foreign investment, commercial dispute resolution, and collateral law at a variety of international conferences, in Russia, Poland, and the United States. IRIS has also sponsored a series of talks by Russian law makers involved in drafting the new Civil Code to western audiences.

Additionally, IRIS has established a Business Law Roundtable at which the ultimate consumers of law -- entrepreneurs, bankers, and lawyers -- can meet with the drafters of commercial legislation to discuss the effects of prospective laws on economic activity prior to enactment. IRIS organized a session of its Business Law Roundtable on the new Civil Code, arranging a discussion on the Code between Judge Alexander Komarov, President of the International Commercial Arbitration Court of the Russian Chamber of Commerce and Industry, and members of the International Lawyers' Group.

During the reporting period, IRIS organized a session of its Business Law Roundtable on the issue of shareholder liability under Articles 56 and 105 of the new Russian Civil Code, arranging a discussion between the drafters of the Civil Code Chapters on legal entities and the members of the International Lawyers' Group. The discussion was led by Professor Alexander Makovsky, chairman of the Civil Code Drafting Commission, Judge Vassily Vitriansky, Vice-Chairman of the Supreme Arbitration Court of the Russian Federation, and Georgy Goloubov, President of the Law firm Legist.

The Director of the IRIS-Russia Commercial Law Project delivered a speech on Russian commercial law as part of the U.S. Peace Corps Business Advisor's Training Program. Her remarks were entitled "Historical perspective and Current Trends in Russian Commercial Law".

v. Judicial Training.

Enhancing judicial capacity to resolve complex business disputes is one of the key elements of the legal reform process. Without a better informed and more efficient judiciary, Russia's new laws, such as the Civil Code, will prove ineffective.

In the Fall of 1994, IRIS brought twenty-two civil law judges and court administrators from federal, regional, and city courts across Russia to the US to study commercial law, civil procedure, and court administration.

IRIS hopes to conduct follow-up activities to this judicial training program in Russia in the near future. In particular, IRIS, ARD/Checchi and the Research Center for Private Law hope to organize this fall/winter one or two training courses for judges from across Russia to raise their level of understanding of various aspects of the new Civil Code. These courses, which may cover written material, a video film and a one or two day seminar, will target current developments in contract law and various types of legal

entities. Additionally, IRIS hopes to set up a training course for judges from across Russia on securities legislation, which is especially important now that the new Russian Federation Law on Securities Market is scheduled to come into effect this winter or early next year at the latest.

D. Lessons Learned

i. *Opening the Governing Process.*

Traditionally, the Russian governing process is not open to input from those most effected by the decisions. For instance, the parliament does not hold public comment sessions in which business leaders can express their concerns about pending legislation. To help reverse this practice, USAID projects should endeavor to expand public access to the decision making process. This can be accomplished in a number of ways: organizing conferences or roundtable discussions among key government officials and private sector groups, disseminating drafts of laws; and publishing articles in the press.

IRIS has played an important role in opening the legislative process with respect to the Civil Code, disseminating drafts to Russian and Western government officials and businesses and encouraging their comments. IRIS has also organized briefings on the Code by drafters and western experts for groups of lawyers, judges and parliamentarians, and entrepreneurs.

The May 1995 workshops on select chapters of Parts II and III of the Civil Code, which IRIS conducted together with the Research Center for Private Law, brought together a broad range of perspectives and interests. The Russian participants included not only those responsible for drafting the particular chapters, but also officials in charge of reviewing the document on behalf of the Government and parliamentary staff members engaged in the legislative review process. For instance, officials from the "notary" department of the Ministry of Justice were invited at the inheritance workshop to get acquainted with the draft section on inheritance at a relatively early stage of the legislative process, and express their concerns on the basis of their profound knowledge of the current organization and functioning of the "notary" in Russia. Also, parliamentary staff members were invited to the banking workshop, to indicate what political resistance may be expected from the parliament with regard to the chapters on banking transactions. With the assistance of Professor James J. White, the drafters and parliamentary staff

members used the opportunity to work out solutions that will be both politically acceptable and supportive of banking practice.

ii. *Russian Driven Process*

Reforms, to be successful, must enjoy indigenous support and be locally generated. So while western advisers can play an important role in the reform process, they should not play a primary role. Moreover, assistance should be targeted toward enhancing Russian capacity to initiate and complete the needed changes because in future they will have to do so independent of foreign assistance. Likewise, westerners will not always agree with the decisions or timetables chosen by the Russian government. Nevertheless, the objective should be to help create the best Russian law, taking account of the full local context -- political, cultural, economic -- and not simply attempt to impose the best western solutions. That approach has been tried during the transition, across Russia and Eastern Europe, with little success.

Bearing this in mind, IRIS has not engaged in drafting per se. Rather, IRIS has worked with the Russian drafters to enhance their understanding of the economic and commercial law principles underlying their Civil Code and to improve their capacity to write good laws.

The May 1995 workshops on selected chapters of Parts II and III of the Code, as well as the September 14, 1995 working session on franchising were therefore not limited to an article by article commentary, but also served to provide the drafters with useful background information on U.S. experience in regulating and implementing the selected areas of law. The U.S. experience may help the drafters to anticipate future developments and identify the gaps in the current draft. This approach was particularly useful with regard to the Code chapters on insurance, franchising, inheritance and banking.

iii. *Coordination Among Donor Organizations And Contractors*

Many different donor organizations and contractors are working on overlapping issues. Coordination among them is critical, less they end up either duplicating each other's activities or, as is too often the case, working at cross purposes.

IRIS has coordinated its Civil Code efforts closely with other organizations working on related matters. IRIS has invited the Urban Institute, which is working on leasing and mortgage issues, and the

Financial Services Volunteer Corps (FSVC), which is studying banking law, to attend its May 1995 Civil Code workshops on leasing and banking, respectively. During the reporting period, IRIS has invited Sibley International, which is working on a USAID funded project to promote franchising in Russia, to submit written observations on the draft chapter on franchising. Additionally, Mr. Zeidman, legal adviser of Sibley International, has led the working session on franchising organized and hosted by IRIS on September 14, 1995. IRIS has also worked with the Harvard Institute for International Development (HIID), which is assisting in the development of company and securities law, to ensure that these laws are compatible with the Civil Code and to strategize on ways to improve both the Code and this supplemental legislation. IRIS has cooperated with ARD/Checchi in advising the Inter-Parliamentary Assembly of the CIS on the Model Civil Code. Finally, IRIS and ARD/Checchi are currently working together to set up a training course for judges throughout the country to increase their level of understanding of the new Civil Code rules on contract law and on legal entities.

iv. *Implementation*

The major impediment to the development of a functioning legal system in Russia is the implementation and enforcement of laws. The best written legislation is useless if the courts are not properly trained to interpret and apply it. In turn, highly qualified judges are ineffectual if their decisions are not enforced. Much attention has been focused recently on drafting laws. Equal if not greater effort must be devoted to the more time-consuming, difficult, and costly issue of institutional reform, particularly in the areas of judicial training, enforcement of judgements, and administrative reform.

While it has assisted the Russian government develop the new Civil Code, IRIS has simultaneously worked on implementation. Organizing an international conference on the practical and legal aspects of the secured commercial lending issues raised in the Code. Additionally, IRIS has trained chief judges from over a dozen federal and regional commercial courts to understand better the legal and economic principles at the heart of the new Code. Certainly, more work needs to be done on implementation. Further legislation will be required to effectuate the Civil Code fully. Significant training is necessary to build the judiciary's capacity to enforce contract and property rights.

2. **Progress report**

A. **Technical Implementation**⁵

Activities Planned for Reporting Quarter	Current Status	Explanations (Problems, steps to resolve, etc.
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⁵ Status of activities as defined in the delivery order.

<p>1. <u>Civil Code</u></p> <p>a. IRIS Working session on the draft Civil Code Chapter on Franchising, Moscow;</p> <p>b. Translation and Dissemination of the final draft of Civil Code, Part II.</p> <p>c. Analysis and Commentary on draft Code.</p> <p>d. Articles on new Civil Code.</p> <p>e. Briefing on Part I of the Civil Code</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>2</p> <p>1</p>	<p>Ran Drafting Working Session on September 14, 1995. The American expert Philip F. Zeidman of the law firm Brownstein, Zeidman and Lore focused on Chapter 53 on franchising.</p> <p>IRIS had the final draft of Part II translated and distributed widely to businesses and law firms in Russia and in US.</p> <p>Iris forwarded written observations on the Code chapter on insurance, prepared by Professor Syverud prepared as follow up of the May 1995 workshops.</p> <p>Wissels, IRIS-Russia Commercial Law Project Director published an article "Parent Company, Shareholder and Director Liability under the New Russian Civil Code" in the EBRD publication "Law in Transition".</p> <p>Blumenfeld, IRIS-Russia former Director, is drafting article on for publication in western journal.</p> <p>IRIS arranged a Business Law Roundtable on shareholder liability with the drafters and the International Lawyers Group in Moscow</p>
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<p>2. <u>Secured Commercial Lending</u>.</p> <p>a. Publication and dissemination of proceedings of International Conference on Secured Commercial Lending in the CIS.</p> <p>b. Chapter on collateral law in Russia.</p>	<p>1</p> <p>2</p>	<p>EBRD and IRIS have published Conference proceedings and distributed widely to Conference participants and interested businesses and law firms and organizations in Russia and the U.S..</p> <p>Wissels, IRIS-Russia Commercial Law Project's current Director, is co-author of the chapter on Russia in the book "Security and other Credit Enhancement Methods", which will be published by Kluwer Law International later this year.</p>
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<p>5. <u>Judicial Training</u></p> <p>a. Judicial Training in Commercial Law Follow-Up Activities.</p> <p>S))))))))))))))))))))))Q</p> <p>6. <u>Add'l Activities.</u></p> <p>a. International Lawyers Association.</p> <p>b. USAID Rule of Law Monthly Meeting</p>	<p>2</p> <p>2</p> <p>2</p>	<p>In cooperation with ARD/Checchi, IRIS hopes to arrange follow-up activities for judicial training this fall/winter, in particular with regard to new rules on contract law and legal entities under Part I of the Civil Code. Activities would take place in Russia.</p> <p>S))))))))))))))))))))))Q</p> <p>Director is member in association of foreign lawyers. In charge of guest speakers committee. Serves on sub-committee on legal translations.</p> <p>IRIS hosts monthly meeting of USAID Rule of Law Contractors. Meets to discuss issues of common interest and concern. Participants include IRIS, ABA-CEELI, HIID, Urban Institute, ARD/Checchi.</p>
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Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action cancelled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
<p>1. <u>Civil Code</u></p> <p>a. Support to Research Center for Private Law during legislative drafting and legislative debate on issues of major concern to the parliamentarians;</p> <p>Workshops on Part selected chapters of Part II of the Civil Code, in particular on sales and purchase, banking transactions, factoring, agency agreements, and insurance.</p> <p>b. training course for judges on contract law and legal entities under the new Civil Code.</p> <p>c. Articles on new Civil Code.</p> <p>d. Translation and publication of commentaries on selected issues of the Civil Code by the drafters</p> <p>e. Distribution of the Civil Code to Russian and foreign jurists and businessman and women</p>	<p>Fall - Winter</p> <p>November</p> <p>Fall - Winter</p> <p>Fall</p> <p>Fall - Winter</p> <p>Fall</p>	<p>IRIS-Russia/Research Center for Private Law</p> <p>IRIS-Russia/IRIS Center/ Research Center for Private Law</p> <p>IRIS-Russia/ARD/Checchi/Research Center for Private Law</p> <p>IRIS-Russia/IRIS Center</p> <p>IRIS-Russia/IRIS Center/Research Center for Private Law</p> <p>IRIS-Russia</p>
<p>2. <u>Secured Commercial Lending.</u></p> <p>a. Continued dissemination of the proceedings of Conference on Secured Commercial Lending.</p>	<p>Fall</p>	<p>IRIS -Russia/EBRD</p>

<p>3. <u>UCC</u></p> <p>a. Finish all aspects of project. Publish.</p>	<p>Fall - Winter</p>	<p>IRIS-Russia/Research Center for Private Law</p>
<p>4. <u>Forums on Commercial Law and Economic.</u></p> <p>a. Business Law Roundtable sponsored by IRIS in conjunction with the International lawyers Group - Follow up discussion with drafters of the Civil Code chapter on legal entities on shareholders' liability under Articles 56 and 105 of the Civil Code or related issues.</p>	<p>Fall</p>	<p>IRIS/ILG</p>
<p>5. <u>Judicial Training</u></p> <p>a. Possible training and teaching course for judiciary on the contract law and/or legal entities under the new Civil Code.</p>	<p>Fall - Winter</p>	<p>see section 1; IRIS-Russia/ARD/Checchi/Research Center for Private Law</p>
<p>6. <u>Additional Activities.</u></p> <p>a. International Lawyers Group.</p> <p>b. USAID Rule of Law Contractors Monthly Meeting.</p>	<p>on-going</p> <p>on-going</p>	<p>International Lawyers Association.</p> <p>USAID Rule of Law contractors.</p>

B. Project Administration

Activities Planned for Reporting Quarter	Current Status	Explanations (Problems, steps to resolve, etc.)
Registration	3	Accreditation with Russian Chamber of Commerce is put on hold in view of the creation of the new Russian Bureau for International Humanitarian Aid and Technical Assistance of the Government of the Russian Federation ("Bihata"). Will seek accreditation with Bihata as soon as procedures are known. Will open upon completion of registration process.
Open Russian Bank Account.	3	
Move into new offices.	1	Office move fully completed.
Install Satellite Line.	4	Present phone system deemed sufficient for current needs.
Hire Administrator/Accountant.	3	Decision on administrator-accountant postponed.
Hire Russian Lawyer, short term.	3	No Russian lawyers hired at this time.

Current Status Key:

- (1) Action Completed
- (2) Action in process
- (3) Action delayed
- (4) Action cancelled

Planned Activities for Next Quarter	Estimated Completion Date	Entity Responsible for Action
Accreditation.	Delayed	IRIS-Russia/IRIS Center/Bihata
Open Bank Account.	Delayed	IRIS-Russia/IRIS Center
Hire American Lawyer/law student at Junior Associate level	Fall -Winter	IRIS-Russia

3. Outstanding problems and issues and intended steps toward resolution

N.A.

NONE OF THE FOLLOWING IS INCLUDED WITH THE ELECTRONIC VERSION

III. FINANCIAL DATA

See Appendix I.

IV. ATTACHMENTS

1. Civil Code

- a. Summary of the September 14, 1995 working session on Civil Code Chapter 53 on Commercial Concessions (Franchising) by Corinna Wissels;
- b. Commentary on the draft Chapter on franchising by Law Firm Brownstein, Zeidman and Lore;
- c. Observations on selected articles of the Civil Code Chapter on Insurance, submitted by Professor Syverud, University of Michigan Law School;
- d. Memorandum on revised Chapter on Insurance in Part II of the Civil Code, Draft of September 1995 by Corinna Wissels;
- e. Article by Corinna Wissels on "Parent Company, Shareholder and Director Liability under the new Russian Civil Code", published in the EBRD publication "Law in Transition";
- f. Table of content of Part II of the Civil Code;

g. IRIS - USAID Briefing Paper: Russia Enacts Part II of New Civil Code With USAID Assistance, dated September 6, 1995;

2. Secured Commercial Lending

a. Cover Page, Table of Contents and Preface of Proceedings from Conference on Secured Commercial Lending, published Summer 1995.

3. Forum/Conference Flyers

a. Conference Program of the Adam Smith Institute conference on banking in Russia

b. U.S. Peace Corps Advisors Training Program, Session on Russian Commercial Law, Talk by IRIS- Russia Commercial Law Project Director on "Historical Perspective and Current Trends in Russian Commercial Law";

c. IRIS - ILG Business Law Roundtable, "Discussion on Shareholder liability under Articles 56 and 105 of the new Civil Code", led by the drafters of the Code chapter on legal entities.

V. ANNEXES

N.A.

VI. APPENDICES

Appendix I: Financial Data